


A USEFUL LOOK AHEAD FROM WASHINGTON

JUNE 1974

# Nation's Business

**WILL THE  
POWER  
GO OFF  
THIS  
WINTER?**





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# Nation's Business

## 8 EXECUTIVE TRENDS

What to do when you're hunting for a job; advice for the father of the bride; cutting costs with a computer language; when firms change names

## 13 THE DEFUNIS SYNDROME

Sooner or later, writes James J. Kilpatrick, the Supreme Court will have to decide how to handle "reverse discrimination"—a "benevolent cruelty"

## 17 SOUND OFF: SHOULD AMERICA'S SMOKERS BE ISOLATED?

## 23 THE HOUSE IS LOSING ITS "CONSCIENCE"

Wit is a potent weapon for Rep. H.R. Gross of Iowa, a veteran defender of the taxpayer's pocketbook who is retiring after 13 terms in Congress

## 30 WILL THE POWER GO OFF THIS WINTER?

Producers and distributors of coal face all sorts of problems, but a widespread strike would top all the rest; and union miner militance spells major trouble

## 36 ANOTHER COSTLY HEADACHE FOR THE EMPLOYER

The way to avoid the pain of the National Workers' Compensation Standards Act, it's argued, is to make sure that this is one Act that is never enacted

## 39 PANORAMA OF THE NATION'S BUSINESS

How a Picasso and a company join hands; hiring a top-notch board of directors on a one-shot basis; where an employee who is at any level is heard at the top

## 41 ROUGHER GOING FOR THE YANKEE TRADER

Its officialdom may deny it is anti-Yankee or anti-business, but a common market is making U.S. firms take tumbles in a big chunk of South America

Cover photograph by Michael Enfield

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#### 44 WATTAGE FROM WASTE

St. Louis and private industry have solved the problem of what to do with our society's refuse; it can be efficiently burned to produce electricity

#### 46 LESSONS OF LEADERSHIP: FRANKLIN A. LINDSAY OF ITEK

An adventurous past and a venturesome present—that sums up the story of this businessman who once did deeds of derring-do as a secret agent

#### 54 PAYROLLS: AN ANSWER TO THE INDIAN MILITANTS

A free enterprise program is raising living standards on the reservations, reports Marvin L. Franklin, top adviser to Washington about Indian affairs

#### 59 THIS MONTH'S GUEST ECONOMIST

Should national income be artificially pumped up as an offset to oil price boosts? George W. McKinney Jr. of Irving Trust Co. examines that question

#### 63 HOW TO KEEP YOUR MIND ON YOUR WORK

Unexpected noises, unwanted visitors, clutter . . . you may be accustomed to them, but driving away distraction will make what you do more rewarding

#### 70 BUSINESS: A LOOK AHEAD

FTC's probe of "idea promotion"; what's in store for nuclear power wastes; a new boss for the commodity markets; doing something about the weather

#### 72 EDITORIAL: LET'S VETO IT

Would an all-powerful Congress be good for the country?

#### ALSO . . .

. . . Memo From the Editor, page 4; Sound Off Response, page 18; Letters, page 53; What Readers Want to Know, page 58; The Climate Abroad, page 66; Advertisers in This Issue, page 69 . . .

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# memo from the editor

Perhaps you've noticed the beginning of a trend among some companies to run more advertisements that don't push their products but instead explain our highly productive business system.

We think that's a fine thing, and the National Chamber has been encouraging other companies to join the trend.

As part of its effort to interpret business to the public, the Chamber provided exhibition space at its recent annual meeting in Washington for organizations that are trying to tell the business story. Sixty different exhibitors, including local chambers of commerce, trade and professional associations and companies in the economic educational field, took part in the colorful show.

• • •

For our part, *Nation's Business* invited the people attending the meeting to vote on which of 13 advertisements they considered the best in telling the free enterprise story.

The ads were supplied, at our invitation, by companies which had run them and advertising agencies which had prepared them. The editors selected those to be displayed and they were mounted at our booth (see photo).

The winner is a two-page ad explaining the value of profits, prepared for Armco Steel Corp., Middletown, Ohio, by the Communication Associates agency, also in Middletown. (It appears on pages 6 and 7 of this issue. We're saluting it by publishing it without charge.)

The other entries were all excellent, too. Runner-up in the voting was one from Penton Publishing Co., Cleveland, which puts out *Industry Week*, a kind of competitor of ours. Other high-scoring entries were from International Telephone and Telegraph Corp., U.S. Steel Corp., American Electric Power System, Employers Insurance of Wausau, Bozell & Jacobs Advertising, The Warner & Swasey Co., General Motors Corp., and Seaboard Coast Line Railroad.

• • •

In keeping with our philosophy of trying to provide "a useful look ahead," we're looking down the road to winter in our cover article which starts on page 30.

You may be hearing the widespread rumbles about

brownouts or blackouts of electric power this summer if air-conditioning loads become too great. But there is not much talk yet about the very serious power shortages that could develop this winter.

Basically, the problem is having enough coal in the right places at the right time to generate electricity we need.

The production and distribution of enough coal is an uphill battle for a number of reasons these days, but the



real crisis would be triggered by a mass miners' strike.

We hope worse won't come to worst, but we feel you would want to know that it is possible.

• • •

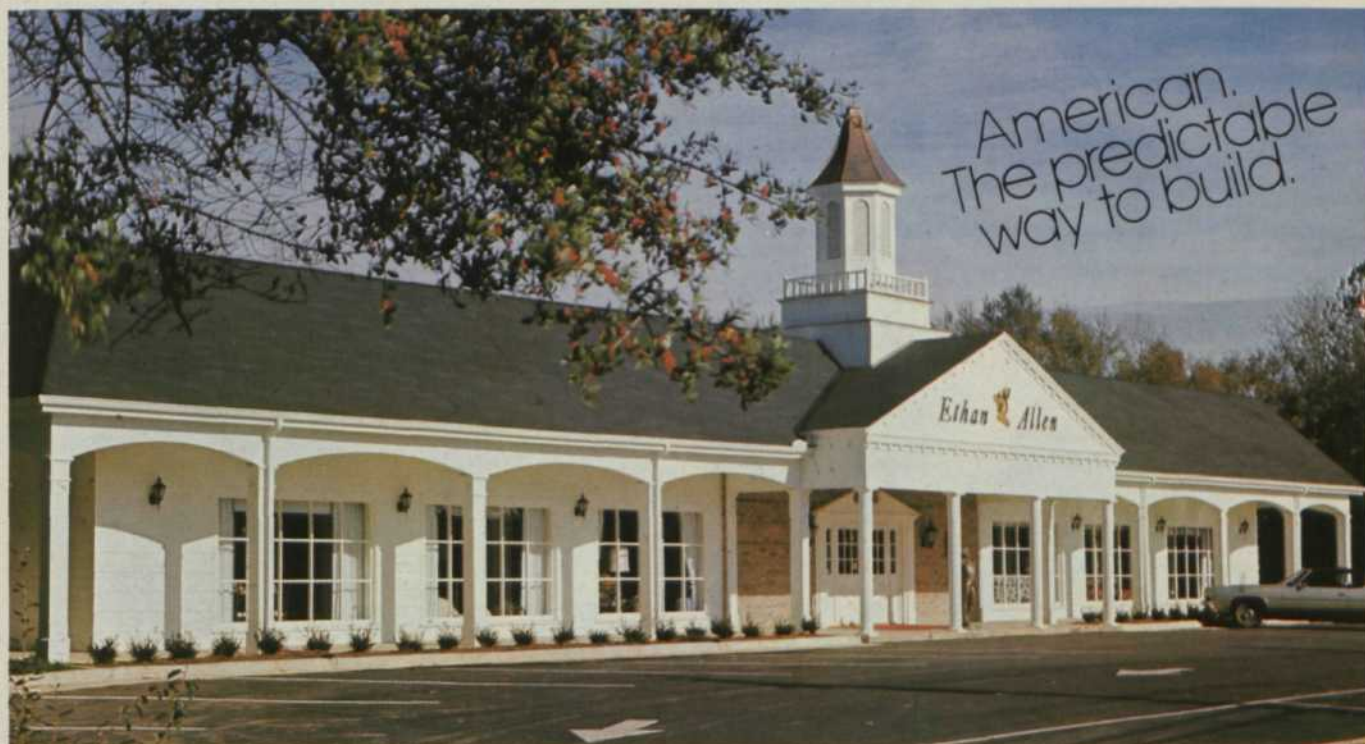
Longer-range, one of the solutions to the problem of providing fuel for generating plants may be in your own backyard. Several companies and cities are experimenting with burning trash to make electricity.

St. Louis, and its Union Electric Co., have led the way with a successful project of this kind. We took a firsthand look at it and report in the article beginning on page 44.

Let's hear a cheer for garbage power.

Jack Woodbridge





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He'll fulfill your requirements to your complete satisfaction. And he won't be forever about doing it.

Once your needs are determined, you'll be delighted with the orderly process of your project

and pleasantly surprised with how quickly you'll be moving.

With the many cost saving economies of an American building, coupled with the complete services of the local American builder, you'll enjoy considerable savings over other type construction.

Call in the American builder when you start thinking about building or expanding. He's in the yellow pages under "Buildings-Metal". Or contact any of our offices. We promise you prompt service.



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Atlantic, Iowa • Southampton, Mass.







# Profit is a beautiful word at Armco.

When business makes a reasonable profit it lives and flourishes. A profitable business makes jobs, pays taxes, and creates useful things. And profits provide dollars for expansion; more jobs, more tax revenue, more of the goods and services people need.

Right now Armco's customers need all the materials we can make. Our steel mills are busy. Our pipe products—both steel and plastic—are in heavy demand. And we're producing oil field equipment at a record level. We're already concerned about meeting the growing demand of the next decade. But earnings over the last few years have been only 4 or 5 cents on each dollar of sales. And that won't pay for the additional facilities we need. Investment in new plants requires reasonable profits.

We're working hard at Armco to improve our efficiency, increase productivity and boost earnings to the level that will pay for needed expansion.

Armco Steel Corporation, General Offices,  
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## executive trends

BY JOHN COSTELLO  
Associate Editor

### When you are hunting for a job

Zero in on the firms of key interest to you.

First consider those in your own industry, or firms that serve it. Chances are, that's where your experience will command top dollar.

And look close to home. For one thing, it's easier—and cheaper—to be interviewed 10 miles away than 1,000.

These are some tips from Robert J. Jameson, author of "The Professional Job Changing System" (\$12.50) and president, Performance Dynamics, Inc., Verona, N.J.

"The object of your campaign," he says, "is to get interviews. And the best way to do that is direct mail. But be sure to send your letters by name to people in a position to hire."

He suggests this rule of thumb:

- If you're looking for a position under \$20,000, try the vice president, personnel.
- Between \$20,000 and \$30,000, make it the chief executive, or the vice president in charge of your field, like sales.
- Over \$30,000, don't go below the firm's chief executive officer, chairman or executive vice president.

"An executive who's just been promoted is a good man to write," Mr. Jameson says. "Often, he'll recruit from the outside to form his own team."

"You'll find his name in the newspaper. And if the story mentions the firm he left, write there, too, if the job's one you'd want."

"Someone's got to fill that slot."

Don't be discouraged if everyone doesn't reply, Mr. Jameson advises. You should expect only a few answers, and even fewer positive replies—invitations to an interview or requests for more information.

How many letters should you send?

"Say 250 to 500, up to 1,000 for higher salary brackets," Mr. Jameson says.

### Tips for the father of the bride

So your little girl is getting hitched.

And it looks like it's going to cost you an arm and a leg.

Well, New York's First National City Bank isn't too busy to help you out.

Here are some ways to cut corners, culled from a recent edition of its monthly newsletter, *Consumer Views*:

- Every bride should wear "something borrowed." Instead of a garter that's on loan from her college roommate, why not don Grandma's wedding gown? It makes sense to wear a family heirloom in this day of rising prices, says the thrift-conscious newsletter.
- Are you helping finance the honeymoon? Then keep an eye out for off-season resort spots. Bills are smaller in summer at most any resort that's big in winter.
- Hold the reception at home. It may cut down the guest list. And that will save you a bundle on food—especially if Mom prepares it herself.

Of course, your wife may not talk to you for a week. And your daughter may ignore you for life.

So, what else is new?

### FORTLAN and COBOL, meet APL Plus

It's a simplified computer language that can cut costs.

"As easy as the ABC's compared to classical Greek," says one booster. "At least for some computer users."

APL is a language developed at





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For nearly 40 years, we've been installing and servicing business communications systems through our nationwide network of local offices. (We're even the country's largest supplier of hospital communications systems where reliability can be a matter of life and death.)

We've brought that record of reliability to the new Executone key telephone. And we'd like to show you how owning your own telephone interconnect system can improve business communications—and save you money—without sacrificing dependability. After all, what good's a new phone system if you can't reach the company that sold it?

- ☐ Please send free portfolio, "How To Get More From Your Own Telephone Interconnect System."  
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**Executone**

Executone, Inc., Dept. W-1

29-10 Thomson Ave., Long Island City, N.Y. 11101

In Canada Executone, Ltd., Ontario



## Executive Trends *continued*

IBM, says William L. Dean, manager of administration, Scientific Time Sharing Corp., Bethesda, Md.

"But with APL Plus we improved it," he adds, "to enable it to do many things it couldn't do before—and do them twice as fast."

A West Coast manufacturer agrees. It had its order, billing and management information on an in-house computer. But it wanted to switch to a time-sharing system.

STSC bid for the job.

"Based on a study we did, it would have taken four man-years to get a system of this complexity up and running in COBOL or FORTRAN," says the manager of accounting and systems at the California firm.

"STSC did it in less than two man-years, at an equivalent saving in cost. Much of the credit's due to APL Plus."

FORTRAN and COBOL are well-known computer languages designed to make the computer easier for programmers to use. They do it by breaking down instructions into a series of sequential steps.

APL Plus has the same goal—approached by a different route.

"We use many special symbols that are mathematical shortcuts," says Mr. Dean.

"But it's shorthand that is easy for laymen to master."

### Whatever happened to . . . ?

Swift & Co. is no more.

It's now called Esmark, Inc.

Ditto for the 29 banks of the First at Orlando Corp. in Florida. Now, they're Sun Banks.

And Western Union International is WUI, Inc., today.

Those are a few of the corporations that changed names in 1973. In all, reports Lippincott & Margulies, Inc., a New York marketing and design consulting firm, there were 179 such changes—almost a 45 per cent increase over the 122 in 1972.

There's one marked trend, it notes.

Only a handful of firms such as WUI—an international cable and sat-

ellite company which is independent of the domestic Western Union Telegraph Co.—went for what it calls "alphabet soup" monickers, i.e., those made up of initials only.

Why a decline in this practice?

Such names tend to be anonymous, Lippincott & Margulies claims. Meaning, presumably, lacking marked identifiability or personality.

Companies like RCA—or PPG or AMF or many more—might disagree.

### Playing it coy in the boondocks

Buy a small smokehouse out in the sticks.

Run ads that bad-mouth it.

And think negative.

Sound like a perfect formula for failure? Well, that's not the way it works out for McArthur's Smokehouse in Millerton, N.Y.

"We're told this amateurish attempt at advertising is doomed to failure," announces a brochure plugging its products, adding that the company is "small . . . perhaps a bit backward."

But a recent mailing drew an excellent response.

"It cost only eight or nine cents apiece to send out that brochure," says John Crawford Jr., vice president and general manager. "And we got a good, 1 per cent response in a matter of weeks."

What sells best?

"About a third of our business is smoked hams," Mr. Crawford says. "Then bacon, early American sausage, smoked turkey, Canadian bacon, smoked capon and bangers."

Bangers?

"They're British sausages," he explains, "and they require a cultivated palate. Some people think they taste awful."

But a firm that sells 5½-pound hams for \$14.50 must be doing something right.

"We're still curing and smoking meats the way we did in 1876," Mr. Crawford says. "During World War II, however, the owner had to turn the smokehouse into a locker plant. That's when Stephen Blodgett, our president, and I decided to buy it. I had some meat stored here."

"And I loved that smell!"

## HOW'S BUSINESS IN MEXICO?

### Here's a book that will tell you!



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# PENNSYLVANIA PROGNOSIS

**The outlook is healthy for medically related industries in Pennsylvania. One big reason is the enthusiastic way company executives respond to the Pennsylvania Lifestyle. Read what two of them found out about living and working here:**

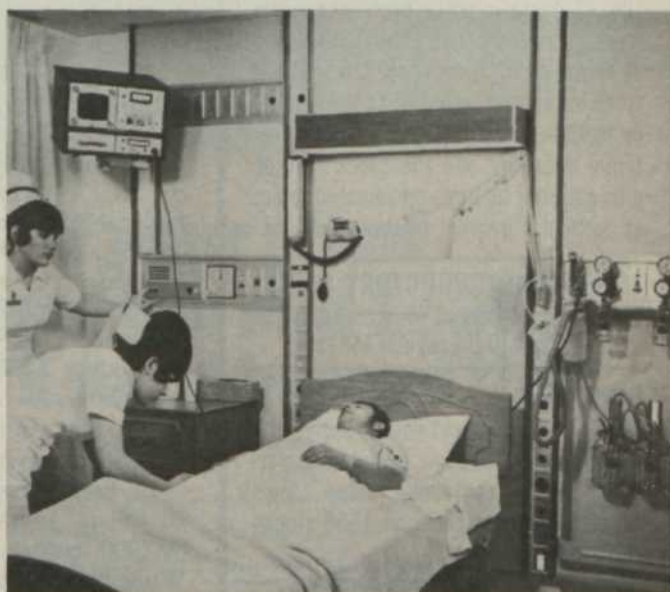


The Delavau Company manufactures generic pharmaceuticals and food supplements for wholesalers, chain stores and repackers.

*"We've been operating in Pennsylvania for over a century. When we outgrew our original facilities, we chose to locate our new headquarters and plant in Philadelphia. The combination of factors crucial to our business was just too hard to pass up: a wonderful labor pool, excellent transportation, etc. Frankly, what we like best is the way Pennsylvania lets you live. You're never far from the country; the real country. We're just minutes from Philadelphia's incredibly varied cultural assets."*

*"We made the move into our new facilities in 1969. We considered leaving the state, but honestly, I don't think you could get anyone on our staff to leave. The living in Pennsylvania is that great."*

Mr. Richard M. Leff  
President, The Delavau Company



AMSCO serves the nation's health care facilities in five basic areas:

1. Processing, Patient Care and Surgical Equipment.
2. Supplies and Instrumentation.
3. Automated and Semiautomated Material Handling Systems for Health Care Facilities.
4. Preventive and Emergency Equipment Service.
5. Patient and Health Care Services.

*"Lifestyle? Well, all I can tell you is that when I'm recruiting managerial talent, that's my big selling point for AMSCO. Erie is a big city, the third largest in the state, but still only a few minutes away is some of the greatest country living around. Open space, hunting, fishing, skiing—it's all here. This is a wonderful family area, too. I frankly think our business success here in Erie is due to these factors as much as the undeniable advantages Pennsylvania offers us in labor, transportation and government attitude. The AMSCO FAMILY? We're dyed-in-the-wool Pennsylvania patriots. Count me in that number, too!"*

Mr. H. E. Fish  
President and Chief Executive Officer,  
American Sterilizer Company

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**MILTON J. SHAPP, Governor**



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## the world of industry

### A Break for Smaller Firms

Government contractors and the Department of Defense are going to save a lot of money and wear and tear on nerves, collectively, if Congress approves a bill that would allow use of simplified procedures on more small DOD contracts.

These procedures were limited to contracts of \$2,500 or less in 1958, but since then a lot has happened to prices. Now, the members of the Senate Ad Hoc Subcommittee on Federal Procurement have introduced a bill that would raise that limit to a more realistic \$10,000.

According to the General Accounting Office, DOD could save more than \$100 million annually in administrative costs if contracts up to \$10,000 could be awarded using simplified purchase procedures.

In fiscal year 1972, Defense Department procurement centers let 800,000 contracts in this category. While they only accounted for about 10 per cent of total procurement in dollars, they amounted to 98 per cent of all transactions.

GAO found a striking example of the paperwork saving potential when it looked at what happened when the Army Materiel Command, under an emergency clause in previous legislation, placed a \$10,000 simplified procedure limit on high priority contracts during the Viet Nam War. Paperwork generated at one installation for a group of contracts was 22 feet high. That might seem like quite a pileup, but under the old rules, GAO says, it would have stretched to 581 feet—26 feet higher than the Washington Monument!

Sen. Lawton Chiles (D-Fla.), the subcommittee chairman, told his fellow Senators: "All too often, small businessmen give up trying to cope with all the procedures associated with formally bidding on small dollar amount procurement. Some try it

once, do not like it, and simply throw up their hands in frustration." •

### A Process to Give a Manufacturer an Edge

Titanium carbide may replace diamonds as some manufacturers' "best friend" as a result of a new development.

Dr. Rointan F. Bunshah of the University of California at Los Angeles has come up with a relatively easy and cheap way of depositing toughening titanium carbide on cutting edges and other surfaces. It could have a wide impact in manufacturing.

Some of the uses envisioned are for cutting tools, oil well drills and turbine blades, as well as in jet engines and food and textile machines. According to U.C.L.A., the coating of rotary cutting tools alone could mean millions of dollars in savings annually if the coating increased tool effectiveness by as little as 10 per cent.

Prof. Bunshah says titanium carbide can be produced at one hundredth to one thousandth the cost of various commercial grades of synthetic diamonds.

His process involves vaporizing titanium, with electrical beam heat, in a vacuum chamber. There the titanium reacts with a hydrocarbon gas to form titanium carbide. This compound is then condensed and deposited on a cutting edge, for example, in any thickness desired. •

### Patently, Ingenuity Is Still Flourishing

There's no dearth of inventions, the lifeblood of a technological society, but on a per capita basis Americans weren't quite as inventive last year as the year before.



At least, that's what statistics compiled by the Patent Office indicate.

A total of 78,304 U.S. patents were issued during calendar year 1973, an all-time high; in 1972, the total was 77,908.

However, since the population keeps increasing, the number of people per patent granted last year—3,790—was a tad lower than the 3,817 in 1972.

At present, priority handling is being given applications for patents on inventions in the energy and environmental areas, says Patents Commissioner C. Marshall Dann.

As it has for over a decade, Mr. Dann's home state of Delaware last year was the most productive state on a per capita basis—one patent for every 1,052 men, women and children. In the previous year it was one per 802 residents.

The least inventive state per capita was Mississippi, where one patent per 26,541 residents was granted. Mississippi was followed by Arkansas, which had a rate of one per 26,351.

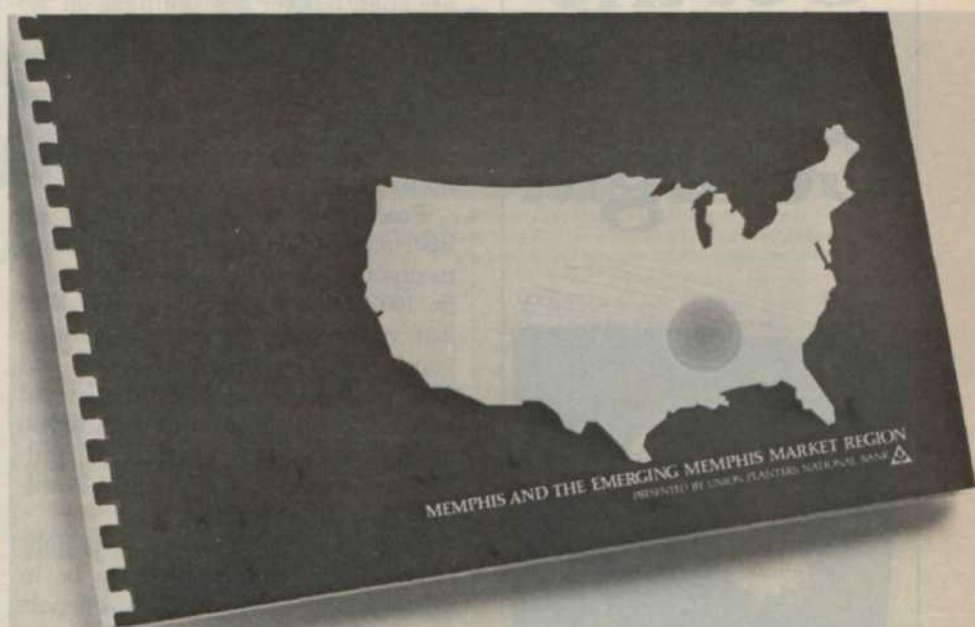
For the tenth year in a row, California led all states in total patents issued (7,603). It was followed by New York, Illinois, New Jersey and Pennsylvania. In 1972, New Jersey was third, followed by Illinois.

Residents of foreign countries received 23,344 of last year's U.S. patents. West Germany was in the number one spot with 5,797, trailed by Japan, the United Kingdom, France and Canada. •

### **The Pen Is Mightier, and Becoming More So**

With more than 200 manufacturers in the writing instrument industry, the competition is expected to maintain a red-hot pace. But industry experts forecast the end of a 20-year trend toward lower prices, citing rising material, processing and distribution costs.

The Writing Instrument Manufacturers Association predicts manu-



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# Get the facts on Georgia



## New industrial survey has complete data on the Empire State of the South

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## The World of Industry *continued*

facturers' annual sales will top \$500 million by 1979. Current revenues are slightly over \$350 million on 2.3 billion units sold—fountain pens, ball-point pens, porous-point pens, markers, mechanical pencils and desk and dip pen sets.

Americans, it seems, are writing a lot more.

Production figures show that all instruments, with the exception of mechanical pencils, posted unit gains in 1973. Manufactured in the U.S. last year were 10.3 million fountain pens, 738.5 million refillable and 821.1 million nonrefillable ball-point pens, 209.4 million markers, 504.5 million porous-point pens, 53.6 million mechanical pencils and 4.3 million desk and dip pen sets.

Since a higher proportion of jobs in the future are expected to be in white collar fields, WIMA officials see the industry's prospects as rosy. They predict the emergence of new types of writing instruments at an increasingly rapid rate.

Seen capturing the public's fancy are such devices as the "space pen" developed for astronauts. An improved ball-point, it permits writing at any angle, even with the point straight up.

In the future, say WIMA officials, are pens that write by burning impressions on paper, pointless pens that write without either a ball or fountain pen nib, and even electronic instruments where the spoken word will activate a pen to produce written letters.

But for now, the industry's hottest item is the porous-point pen, which showed the highest production growth rate last year. Manufacturers consider it still in the developmental stage, with a huge sales potential.

And the world market for various writing products offers manufacturers even more cause for jubilation. In previous years exports were less than \$20 million, but in 1973 they were approximately \$57 million. And there is every expectation that they will continue to grow. •

### The Right Combination: "Open, Says Me"

Someday soon you may be able to talk your way into your locked office

or home, and the cleverest lock picker will stay away from your door—unless he has the talents of a Rich Little or Frank Gorshin.

At Westinghouse Electric Corp., Dr. Herbert J. Reitboeck is developing an inexpensive lock system that will open at its master's voice. Existing systems of this type cost up to \$100,000 but the Westinghouse Research Laboratories hope to knock the price down to \$100.

The basic principle is that each human voice is like a fingerprint—one of a kind. "The cavities in a person's mouth and throat make sounds resonate in a few frequencies, called formants, whose strength varies as he speaks a word," Dr. Reitboeck explains.

Systems now available use many frequency filters and large computers, but Dr. Reitboeck believes he can do the same job with filters of a different type and a much smaller computer. All you have to say is the magic word, or words.

Dr. Reitboeck's lock could be programmed to respond to several voices, thus permitting more than one person to activate it.

Possible problem: Laryngitis. •

### Trend Toward One-Stop Vending Machines

Tired of going to more than one vending machine in order to get a cup of coffee, a pastry and a can of juice for that late breakfast?

Earl C. Ramsey, president of Rowe International, Inc., of Whippany, N.J., a vending machine manufacturer, says the energy shortage should speed the move to multipurpose machines—those that will sell a half dozen or so different items.

"One multipurpose vendor could replace two, three or even four machines," he says.

Such machines began to appear last year, and not only the squeeze on energy but the demand for convenience and efforts to save space are sparking a more rapid move in their direction.

"You might say we're working toward a coin-operated supermarket," says Mr. Ramsey.

And maybe longer lines at the machines. •





# the End

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A new memory calculator breakthrough means the end of the AC adapter, rechargeable battery and small display and the introduction of a new memory system.



The world's first ambient light liquid crystal memory pocket calculator—the DataKing 800 manufactured by Rockwell International, can operate for one year on the same set of disposable batteries.

If you've been waiting for the world's most advanced memory calculator—your timing is perfect.

Powered by two inexpensive 9 volt batteries, the 800 will last almost one year on the same set of batteries or ten times longer than even the lowest drain pocket calculators. But there are several other very exciting new feature breakthroughs.

## RECHARGEABLE VS DISPOSABLE BATTERIES

It all boils down to convenience vs savings. Rechargeable batteries cost roughly \$3.00 per year to power the average pocket calculator. That isn't very expensive. But the calculator owner who wishes to recharge his batteries is always at the mercy of his AC adapter/charger. And the adapter 1) is always subject to malfunction, 2) is often heavier than the calculator and 3) requires AC power to drive it.

If you've ever been on an airplane when your calculator popped out or if you have been unable to use your calculator because your AC adapter didn't work, you can appreciate the convenience of the disposable battery. But disposable batteries are more expensive—an average of about \$4 to \$7 to operate the average calculator per year.

The DataKing 800 costs roughly \$1.00 per year to operate using readily available 9 volt batteries. Therefore no AC adapter is required nor is one provided.

## BIG DISPLAYS VS SMALL DISPLAYS

The display is the biggest consumer of battery power in a calculator. The bigger the display, the more power required to light it. Sunlight can easily overpower the display's light-emitting elements making legibility impossible.

The DataKing 800 has a large easy-to-read liquid crystal display. When small electrodes, arranged to form digits, are charged by micro-currents of electricity, the liquid crystal turns opaque. The resulting numbers must then be illuminated by a light source to provide the contrast needed to read the display. The 800 employs a light-gathering prism that eliminates any need for an internal lighting system and consequently uses a mere fraction of the power required by other conventional calculators. And the brighter the room light, the easier it is to read—even in sunlight.

## NEW CLICK-THRUST KEYBOARD

The DataKing 800 has taken the full-thrust keyboard feel and added a click to provide the world's first "click-thrust" keyboard. Not only do you get a very positive data entry feel, but your chance of false entry is greatly minimized by the unique widely-spaced keys.

## NEW ACCESS MEMORY SYSTEM

Memory on a calculator is such an important feature that units without it are practically outdated. Memory permits you to store individual numbers or answers to calculations

in a memory bank and then recall the total of those numbers directly onto your display without erasing the total in your memory.

The DataKing 800 has the new access memory. You can now take any number on your display and divide or multiply your memory total by that number—all while retaining that same number on your display. No other calculator has this feature. For example, to add a number to memory, press "M" and the plus key. To divide a number into memory, press "M" and the divide key.

## MANY OTHER FEATURES

Now that we've told you all about those revolutionary features, here are some additional qualities that make the DataKing the nation's unquestioned memory leader.

1) **Easiest to use** Even if the 800 is your first pocket calculator, you'll find it a snap to learn. The algebraic logic (you perform the functions as you think) makes it easy to perform chain calculations. The automatic constants on all six functions require no separate switch to turn on, and there's a separate memory-plus and memory-minus entry system.

## COMPARED TO TEXAS INSTRUMENTS

America's leading brand-name calculator is Texas Instruments. TI recently announced their new TI 2550 memory unit for \$99.95. That same calculator is now outdated by the introduction of the 800. The TI 2550 uses rechargeable batteries and has a small display and the older chain memory system. Compare price, features, performance and dependability, and you can easily see why the DataKing is America's greatest memory calculator value.

2) **The best percentage system** To add 5% to a \$50 purchase, simply enter \$50, then press the plus key, the 5 key and then the percent key. The percentage amount of \$2.50 is displayed. Then press the equal key—\$52.50 is displayed. In short, you perform percentage problems exactly as you think for both addition, subtraction, multiplication and division.

3) **The finest display** The large 8-digit liquid crystal display with floating decimal has negative balance and overflow indicators. You can also clear any overflow condition and continue your calculations.

4) **Shock resistant** The calculator enclosure also eliminates the need for a carrying case and provides a high degree of shock resistance. The display and prism are recessed and thus protected by its rugged high impact resistant case even when accidentally dropped.

5) **Handsome styling** Rarely do you find so many outstanding features in a highly-styled calculator. The DataKing 800 measures only 1½" x 3½" x 6" and weighs only 10½ ounces. Other features include a clear entry system for memory or mistaken entries, zero suppression, and a full floating decimal.

You are no doubt familiar with Rockwell International and their approach to quality. The DataKing 800 is no exception. Although the 800 was designed to be service-free, your unit is backed by a one year warranty and DataKing's national service-by-mail facility. DataKing, Inc. is a well financed and established company and a leading consumer electronics firm—further assurance that your modest investment is fully protected.

JS&A is so convinced that the 800 is the best memory unit you can buy that we are making the following offer: try the DataKing 800 for a full month. Compare it with every other calculator on the market for features, value, keyboard—whatever. If you are not absolutely convinced that it is the finest calculator value ever offered, return it anytime within that month for a prompt and courteous refund. Truly an unprecedented offer.

## EXCHANGE YOUR PRESENT UNIT

Want to exchange your old, outdated calculator for the DataKing 800 without losing too much money? We've got a way. After you are absolutely satisfied with your DataKing 800, send us your outdated unit. JS&A will then send it to a deserving school, non-profit organization, or charitable institution who in turn will send you a letter of appreciation and a certificate acknowledging your contribution. Then use that contribution as a legitimate deduction on your income tax return. You'll be helping somebody in need, while justifying the purchase of the latest calculator technology.

## TO ORDER BY MAIL

Each unit is supplied with batteries, warranty card and a thorough instruction booklet. To order the 800 simply send your check for \$62.45 (\$59.95 plus \$2.50 postage and handling Illinois residents add \$3.00 sales tax) with your name, address, city, state, and zip code to the address shown below. If you wish to charge the 800 to your Master Charge, BankAmericard, Diners Club, or American Express credit card account, call our toll-free number or send us a brief note listing all numbers on your credit card, expiration date, signature and telephone number. Pick up the phone and order your DataKing 800 at no obligation today.

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by James J. Kilpatrick

## The DeFunis Syndrome

A syndrome, by definition, is "a group of signs and symptoms that occur together and characterize a particular abnormality." Marco DeFunis is a law student at the University of Washington. Sooner or later a perplexed and wary Supreme Court will have to decide how to treat the DeFunis Syndrome.

A more familiar name for this abnormality is "reverse discrimination." The short and ugly word is racism. But this is a racism quite different from the racism that once afflicted not only America's South but other regions also. The DeFunis Syndrome identifies a benevolent cruelty, a benign evil. The purpose is compassionate; the effect is intolerable.

Much has been written in recent weeks about the case of Marco DeFunis, but it will do no harm to recall the essential points. In the summer of 1971, after winning his bachelor's degree *magna cum laude*, young DeFunis applied for admission to the University of Washington Law School. His records were not the most brilliant submitted that summer, but they were not bad: He averaged a respectable 582 on his critical Law School Admission Test; he had a writing ability score of 61; his junior-senior grade average was 3.71 on a scale of 4.00; he made Phi Beta Kappa. Under a point system widely used by schools of law, this added up to a predicted first-year grade average of 76.23.

As applications were received by the University of Washington Law School and run through its computer, a number of threshold decisions were made. There were some 1,600 applications; there were 150 openings. The school put all applications from white students in one group. In another it put all applications from blacks, Chicanos, American Indians

and Filipinos. The two groups then were handled separately.

Mr. DeFunis is white. An admissions committee screening white applicants drew a line at 77.0 on the scale of predicted first-year averages. It drew another line at 74.5. Applicants with scores above 77 were, as a general proposition, offered admission. Those below 74.5 were summarily denied. Mr. DeFunis was toward the top of the middle group. In late July, 1971, he got the cold word: His application had been rejected.

Meanwhile, the minority applicants were being reviewed. Applications from blacks went to a committee consisting of a black law student and a professor who had worked the previous summer on a special program for disadvantaged college students. Applications from the other minority groups went to an assistant dean. The minority applicants were compared competitively with one another, but never with the group as a whole.

In the end, 37 minority applicants were accepted. Of these, 36 had predicted first-year averages below Marco DeFunis' 76.23. Thirty had averages below 74.0.

On Aug. 19, 1971, Mr. DeFunis and his parents brought suit, asking a court order to compel his admission and charging that he had been denied equal protection of the laws. A trial court agreed, and ordered him admitted. Then the Washington State Supreme Court reversed, *DeFunis v. Odegaard*, 507 P. 2d 1169 (1973), but Mr. DeFunis won a stay from U.S. Supreme Court Justice William O. Douglas. He continued his studies while his appeal was perfected. Last April 23, five members of the U.S. Supreme Court found his case moot, and in effect dismissed it.

It was an anti-climactic ending, but a Court famed for raising landmarks has a way of sometimes raising sand dunes instead. Under Article III of the Constitution, the Court has jurisdiction only over true "cases or controversies," and the Court may have properly followed its rule of judicial restraint in refusing to reach the merits of the DeFunis appeal. The young student had not filed a class action; he had sued only for his own admission, and plainly he had won the admission he sought. He is to graduate this month. The Court's action may have been a cop-out—Justices Douglas, Brennan, Marshall and White were eager to get to the merits—but it may also have been sound jurisprudence.

The DeFunis Syndrome presents a fairly elementary problem in constitutional law, or so it seems to me, but it presents a fearfully difficult problem in public policy.

What the law says, in the Fourteenth Amendment, is that no state may deny to "any person within its jurisdiction" the equal protection of its laws. In 1954, a unanimous Supreme Court gave that provision specific meaning in terms of state-operated schools. The Court held, in brief, that whatever the practice may have been since 1868, states no longer could assign or classify students by reason of the color of their skin. Plainly, what the State of Washington was doing in its law school was assigning and classifying students by reason of the color of their skin. The admissions procedures, in a phrase often employed by the Court, amounted to "invidious discrimination." The Court cannot possibly approve any such practice without abandoning constitutional principles that since 1954 have become embedded in our



## The DeFunis Syndrome *continued*

law. Yet there is another side. University of Washington authorities argued, with much validity, that it is both educationally and socially desirable to see that a number of black and other minority students are admitted to law schools and eventually to the practice of law. For whatever reason, minority applicants generally have poorer test scores than white applicants. If test scores alone may be considered, few such applicants ever would gain admission.

Employers throughout the nation are having to cope with other manifestations of the DeFunis Syndrome. Acting (one assumes) under the Commerce Clause, the Congress in 1964 made it unlawful for employers to discriminate in hiring, firing or promotions by reason of race or sex. Executive orders have supplemented this action. A flourishing bureaucracy has sprung up within the Equal Employment Opportunity Commission to enforce the law. The practice is growing to assign "goals," or "guidelines," which in simple English are quotas.

Judges have tended to support these bureaucratic demands, not only as to private employers but as to public agencies also, with the result that states and municipalities find themselves struggling with court orders to employ black policemen, firemen, teachers, sanitarians and others, up to a certain percentage. The effect is to reject qualified whites in favor of less qualified blacks. The practice is creating a smoldering resentment among whites who thus become victims of racial discrimination—the same kind of smoldering resentment that for generations was kindled among blacks—and it is doubtful that the quota system does much for the egos of the hired blacks.

As in the DeFunis case, standardized tests no longer carry much weight. The Supreme Court's 8-0 ruling in *Griggs v. Duke Power Co.*, 401 U.S. 424 (1971) had a chilling effect on all such screening procedures. Under this combination of circumstances, employers who are wor-

ried about federal contracts, federal licenses or their own public image are finding themselves virtually compelled to hire minority applicants willy-nilly, qualified or no, simply to placate the judges or the bureaucrats. On balance, the effects may be socially good, and many minority workers, who might never have been hired at all, doubtless turn into excellent employees. But the system slowly is poisoning healthy race relations and is perverting the very concept of "equal opportunity." There can be no genuinely equal opportunity among university applicants or job-seekers when some are more equal than others.

Some months ago EEOC descended upon the Memphis Publishing Co., publishers of the *Commercial Appeal* and the *Press-Scimitar*. A black composing room porter had been fired, for good cause as it turned out, but the incident provoked a full-blown proceeding. EEOC's idea, spelled out in a proposed conciliation agreement dated Oct. 18, 1973, was to compel the company to undertake an elaborate and intensified program of affirmative action to find black applicants for jobs. The company was to agree that "no applicant will be disqualified for employment solely because he has an arrest record or does not have a high school diploma." As a general proposition, the company was not to administer to black applicants "any general intelligence or aptitude tests" which had not been approved by EEOC.

Paragraph 13 of the proposed EEOC agreement was intended to commit the newspapers to a quota system: "Subject to the availability of qualified black applicants, the respondent will hire new employees for the job classifications listed below in the ratios indicated for each classification until 40 per cent of the employees in each listed classification are black." The job classifications in which the 40 per cent ratio was to be reached included all editorial departments, classified advertising, local advertising, office and clerical

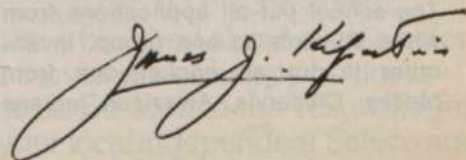
positions, composing room, engraving department and "management."

The Memphis newspapers understandably declined to accept any such "conciliation agreement," but they did voluntarily step up their programs of minority hiring. At this writing, so far as EEOC is concerned, the status is quo.

What is the employer to do with such intrusions into the orderly and efficient management of his company? I do not know how it is in other professions, but I know that in Southern newspapering the supply of genuinely qualified blacks nowhere approaches the quotas proposed by EEOC. Ultimately it may be different, and one can appreciate the thrust of the chicken-and-egg argument: Which comes first? The opportunities or the applicants? If employers had tried more earnestly in the past to seek qualified blacks, women, Chicanos, Orientals and others, presumably there would be more such qualified applicants today.

Of this much I am certain: It is both unfair and unconstitutional to reject a Marco DeFunis because he is white—or more accurately, because he is not black. His constitutional right to equal protection is an individual right, not to be denied him in the name of any group. To reject a Marco DeFunis, solely because of his race, is a wrong. I am equally certain that the University of Washington was pursuing a compassionate, enlightened and desirable goal in seeking deliberately to increase the number of minority lawyers. The end was exemplary, but the means toward that end were also a wrong.

Neither in law nor in equity can two wrongs be made to add up to a right. In some fashion, a way must be found to treat the DeFunis Syndrome, both in public institutions and in private employment, so that individual rights are preserved and a good society is promoted. But do I know such a way? No, I do not.





# The Lazy Man's Way to Riches

**'Most People Are Too Busy Earning a Living to Make Any Money'**

I used to work hard. The 18-hour days. The 7-day weeks.

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For example, this ad took about 2 hours to write. With a little luck, it should earn me 50, maybe a hundred thousand dollars.

What's more, I'm going to ask you to send me 10 dollars for something that'll cost me no more than 50 cents. And I'll try to make it so irresistible that you'd be a darned fool not to do it.

After all, why should you care if I make \$9.50 profit if I can show you how to make a lot more?

What if I'm so sure that you will make money my Lazy Man's Way that I'll make you the world's most unusual guarantee?

And here it is: I won't even cash your check or money order for 31 days after I've sent you my material.

That'll give you plenty of time to get it, look it over, try it out.

If you don't agree that it's worth at least a hundred times what you invested, send it back. Your uncashed check or money order will be put in the return mail.

The only reason I won't send it to you and bill you or send it C.O.D. is because both these methods involve more time and money.

And I'm already going to give you the biggest bargain of your life.

Because I'm going to tell you what it took me 11 years to perfect: How to make money the Lazy Man's Way.

O.K.—now I have to brag a little. I don't mind it. And it's necessary—to prove that sending me 10 dollars...which I'll keep "in escrow" until you're satisfied...is the smartest thing you ever did.

I live in a home that's worth \$100,000. I know it is, because I turned down an offer for that much. My mortgage is less than half that, and the only reason I haven't paid it off is because my Tax Accountant says I'd be an idiot.

My "office," about a mile and a half from my home, is right on the beach. My view is so breathtaking that most people comment that they don't see how I get any work done. But I do enough. About 6 hours a day, 8 or 9 months a year.

The rest of the time we spend at

our mountain "cabin." I paid \$30,000 for it—cash.

I have 2 boats and a Cadillac. All paid for.

We have stocks, bonds, investments, cash in the bank. But the most important thing I have is priceless: time with my family.

And I'll show you just how I did it—the Lazy Man's Way—a secret I've shared with just a few friends 'til now.

It doesn't require "education." I'm a high school graduate.

It doesn't require "capital." When I started out, I was so deep in debt that a lawyer friend advised bankruptcy as the only way out. He was wrong. We paid off our debts and, outside of the mortgage, don't owe a cent to any man.

It doesn't require "luck." I've had more than my share, but I'm not promising you that you'll make as much money as I have. And you may do better; I personally know one man who used these principles, worked hard, and made 11 million dollars in 8 years. But money isn't everything.

It doesn't require "talent." Just enough brains to know what to look for. And I'll tell you that.

It doesn't require "youth." One woman I worked with is over 70. She's travelled the world over, making all the money she needs, doing only what I taught her.

It doesn't require "experience." A widow in Chicago has been averaging \$25,000 a year for the past 5 years, using my methods.

What *does* it require? Belief. Enough to take a chance. Enough to absorb what I'll send you. Enough to put the principles into action. If you do just that—nothing more, nothing less—the results will be hard to believe. Remember—I guarantee it.

You don't have to give up your job. But you may soon be making so much money that you'll be able to. Once again—I guarantee it.

The wisest man I ever knew told me something I never forgot: "Most people are too busy earning a living to make any money."

Don't take as long as I did to find out he was right.

I'll prove it to you, if you'll send in the coupon now. I'm not asking you to "believe" me. Just try it. If I'm wrong, all you've lost is a couple of minutes and a postage stamp. But what if I'm right?

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"I have examined this advertisement. On the basis of personal acquaintance with Mr. Joe Karbo for 18 years and my professional relationship as his accountant, I certify that every statement regarding his personal and business status is true."

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Joe, you may be full of beans, but what have I got to lose? Send me the Lazy Man's Way to Riches. But don't deposit my check or money order for 31 days after it's in the mail.

If I return your material—for any reason—within that time, return my uncashed check or money order to me. On that basis, here's my ten dollars.

☐ Please send Air Mail. I'm enclosing an extra dollar.

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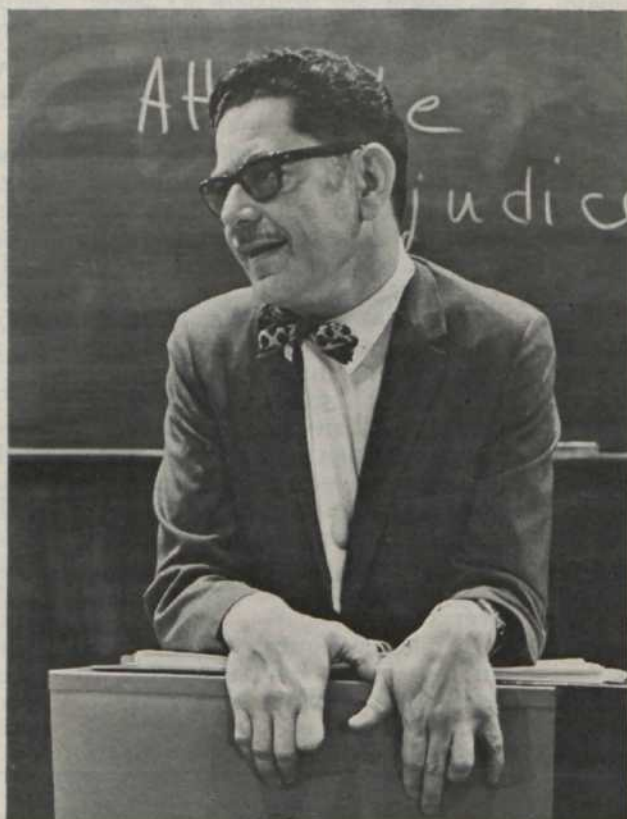
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# How does a small boy cope with Cerebral Palsy and become a Psychology Professor?



**with determination...**



And a lot of help from United Cerebral Palsy. Harold Yuker, now a professor at Hofstra University, knows that he still impresses people as being "disabled." But that doesn't stop him.

#### **He has made it.**

And United Cerebral Palsy can help lots of other kids make it, too, with physical therapy, medical treatment, counseling and other needed services.

But only as long as you're there to help us.



## **Give to United Cerebral Palsy**



## Should America's Smokers Be Isolated?

Do smokers have the inalienable right to smoke where they wish?

Do nonsmokers have the inalienable right to breathe smokeless, non-irritating air in public places?

Those are crucial questions involved in the growing debate over providing nonsmoking areas in airplanes, trains, buses, meeting halls, classrooms, hospitals, offices, restaurants and many other indoor public places.

With more than 52 million out of America's 211 million people smokers of cigarettes, pipes or cigars, the questions generate wide discord.

Since mid-1973 the Civil Aeronautics Board has been able to fine airlines \$1,000 for each instance of failing to provide nonsmoking seating

areas. The Interstate Commerce Commission more recently restricted smoking to special cars on noncommuter passenger trains and ruled that smokers must sit at the back of long-distance buses. The Interagency Council, a nationwide organization which includes influential physicians and political leaders, has drawn up a "Nonsmokers' Bill of Rights" which includes the right to breathe smoke-free air.

Arizona has banned smoking in many public places, and several other states, as well as cities, are considering following suit. The American Cancer Society stoutly supports restrictions on smoking in public places, citing what it calls a need for "protection of nonsmokers from

noxious effects of other people's smoke."

In opposition are millions of free-spirited Americans who feel they have a right to smoke where and when they wish, provided that they create no clear danger to public safety such as increasing chances of fire.

The Tobacco Institute says it finds no support for the claim that it is unhealthy for nonsmokers to inhale others' tobacco smoke. However, the Institute says it would not oppose a "wise method" of providing for the greater comfort of nonsmokers—to whom, it acknowledges, smoke can be "irritating."

Let us know what you think. Should smokers be isolated in, or banned from, public places?

Jack Wooldridge, Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20006

Should smokers be isolated in, or banned from, public places? ☐ Yes ☐ No

Comments:.....

.....  
.....  
.....  
.....  
.....

Name and title.....

(PLEASE PRINT)

Company.....

City.....



## Pulling Back the Community Welcome Mat

The wording of the April "Sound Off to the Editor" question—"Should a community have the right to keep out newcomers?"—prompted one reader to predict sarcastically that the Nos would predominate. They were bound to, he said, because the question was loaded.

The prediction was wrong.

Sixty per cent of *Nation's Business* readers responding voted Yes.

Man's territorial imperative, it seems, is still strong.

"Overcrowding is a human vice and carries with it all sorts of penalties and costs," says W.P. Boswell, president, The Boswell Oil Co., Cincinnati, Ohio. "If it is legal to restrain gambling, prostitution, alcohol and drugs, it should be legal to limit density."

H. Charles Korn, a New Orleans, La., attorney, writes: "A community that becomes a great place to live has to work hard to make it so. No

---

***"What do they have to do, move every five years to escape the flood of people?"***

---

group, coveting that asset, has any constitutional right to appropriate it for themselves or destroy it."

Also registering a Yes is Charles de Napoli, vice president of the Yonkers Saving and Loan Association, Yonkers, N.Y. He favors focusing developer attention on the inner cities, where municipal services are already available. "Why," he asks, "create unwanted costly problems in newer areas—and let existing facilities go to waste?"

Not unexpectedly, the heaviest response comes from suburbs, smaller cities and towns.

W.R. Lumry, executive manager of the Grundy County Chamber of Commerce, Morris, Ill., says residents

of Morris (pop. 10,000) should be permitted "to maintain the small city atmosphere they chose. Why should they be forced to grow to 30,000 or more and lose the advantages? What do they have to do, move every five years to escape the flood of people? There's got to be a better way."

Ben Thorman Sr., of Ben Thorman & Co., Okmulgee, Okla., calls himself "a strong believer in localized government so long as laws and rules are just and moral," and adds: "I hope the town I live in doesn't grow any larger. If it ever does I will move out."

George Grimmer, a design engineer for the Otis Engineering Corp., Carrollton, Texas, and mayor of nearby Farmers Branch (pop. 30,000) argues: "A city is incorporated by its citizens to provide certain services and establish the kind of area in which they wish to live. They should be allowed to determine ultimate size, and the balance of residential, industrial and commercial areas."

Mrs. George E. Voyer, South Orange, N.J., the wife of an R.H. Macy & Co. (New York City) vice president, comments, along with her Yes: "Obviously when a state agency decides how a community is to live and regulates local zoning, there will no longer be an elected body responsible to the people. Devastating!"

Notes Robert Steinheider, vice president of Fred Steinheider and Sons Co., Goehner, Nebr.: "This is a problem we are looking at in our village of 150 residents. We have a sewer system that is just becoming overloaded. Unless we find a method of financing the needed improvements we must be able to restrict our growth."

Thomas Doolittle, vice president of Cologne Life Reinsurance Co., Stamford, Conn., comments: "It was unbelievable to me, moving from the Midwest to the East Coast, to find a city of 110,000 one-third sewered and the water supply less than acceptable. This is due to rapid growth and

lack of planning. The argument that using federal funds to create water and sewer services makes a city the property of all people is completely invalid."

Charles Thompson, Pritchard Funeral Home, Key West, Fla., dis-

---

***"One of our major problems is the attitude . . . that 'I have mine—to hell with everybody else'."***

---

agrees, however. "The U.S. and all of its land belong to all the people," he says.

Other comments from those voting No:

"One of our major problems is the attitude of many people to the effect that 'I have mine—to hell with everybody else'," says Eugene D. Mellish, vice president, engineering, the MacMillin Co., Inc., Keene, N.H.

Dr. Ronald Carroll, an economist with C. Randolph Wedding & Associates, St. Petersburg, Fla., says granting such authority would establish a police state "with 'Big Brother' telling us where we can live in order to protect the incompetence and dereliction of duty of public officials. . . . If they cannot provide the services, get rid of them and let private enterprise do it."

Lester P. Glass, a New York City architect, argues: "We should have a national growth policy guideline such as proposed by the American Institute of Architects to achieve rational planned growth consistent with our democratic institutions and heritage."

John B. White, assistant administrator of Porter Memorial Hospital, Valparaiso, Ind., writes: "It would seem that restricted migration would be contrary to one of the principles of our democratic society—the pursuit of happiness."



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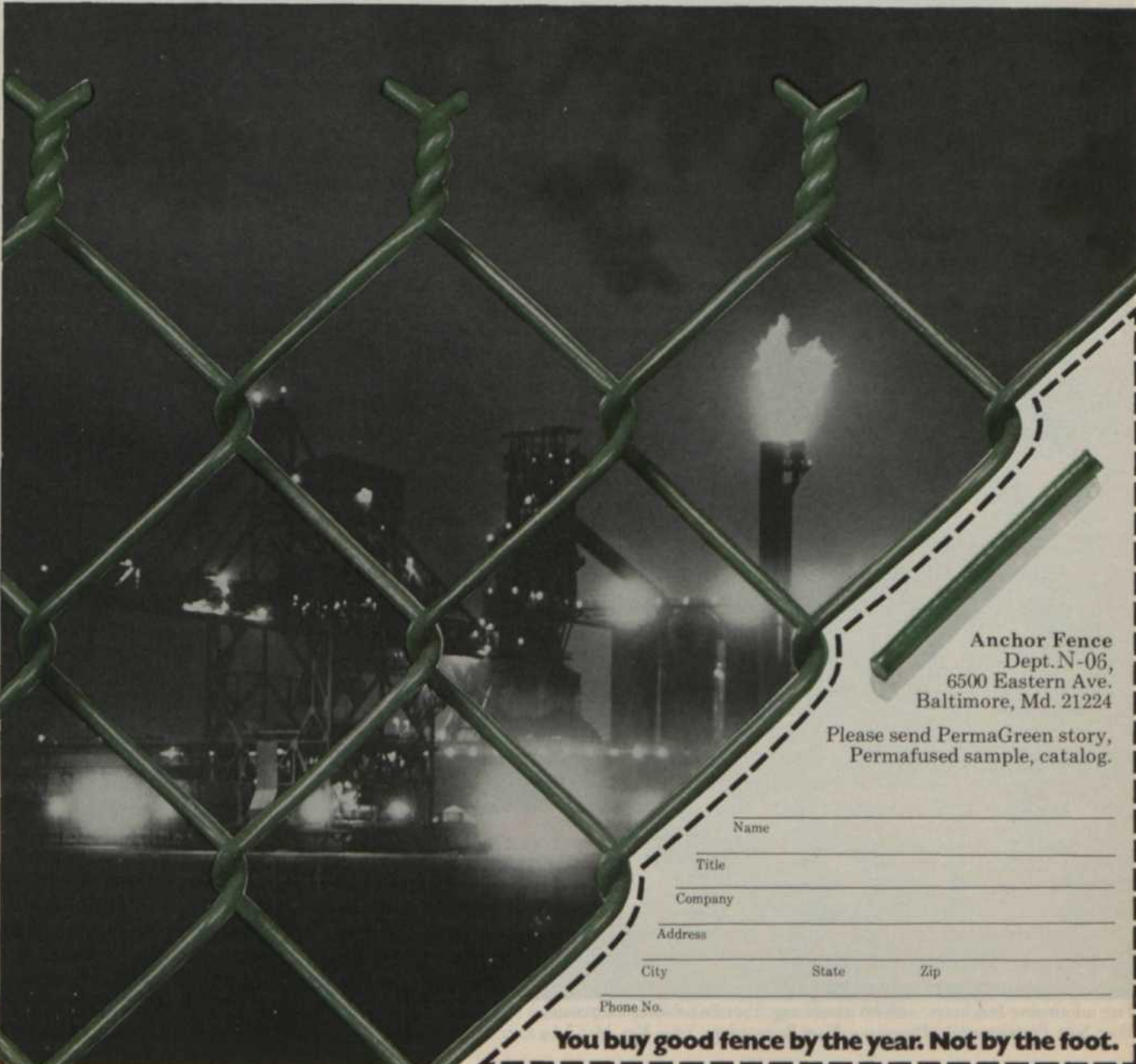
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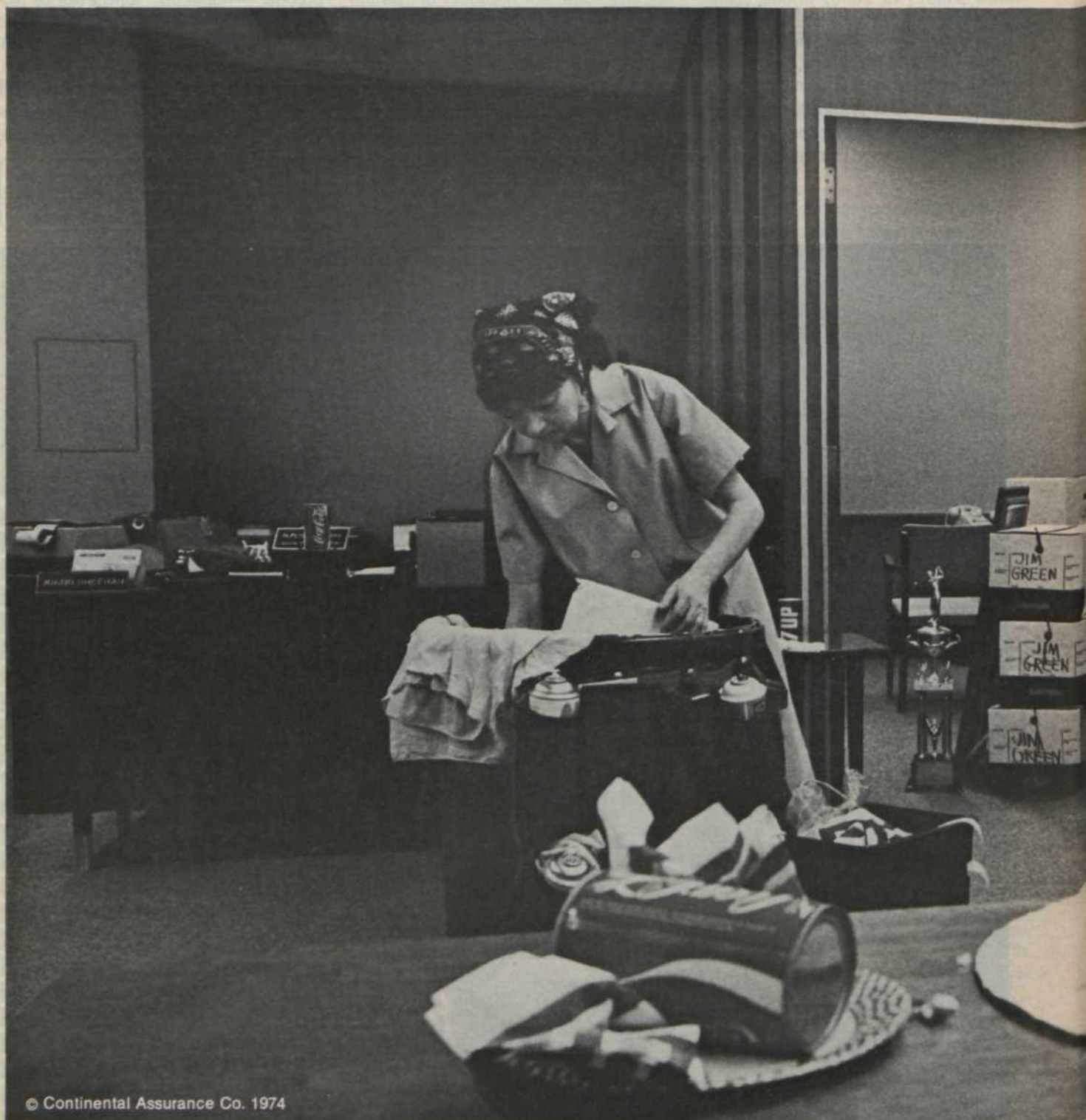
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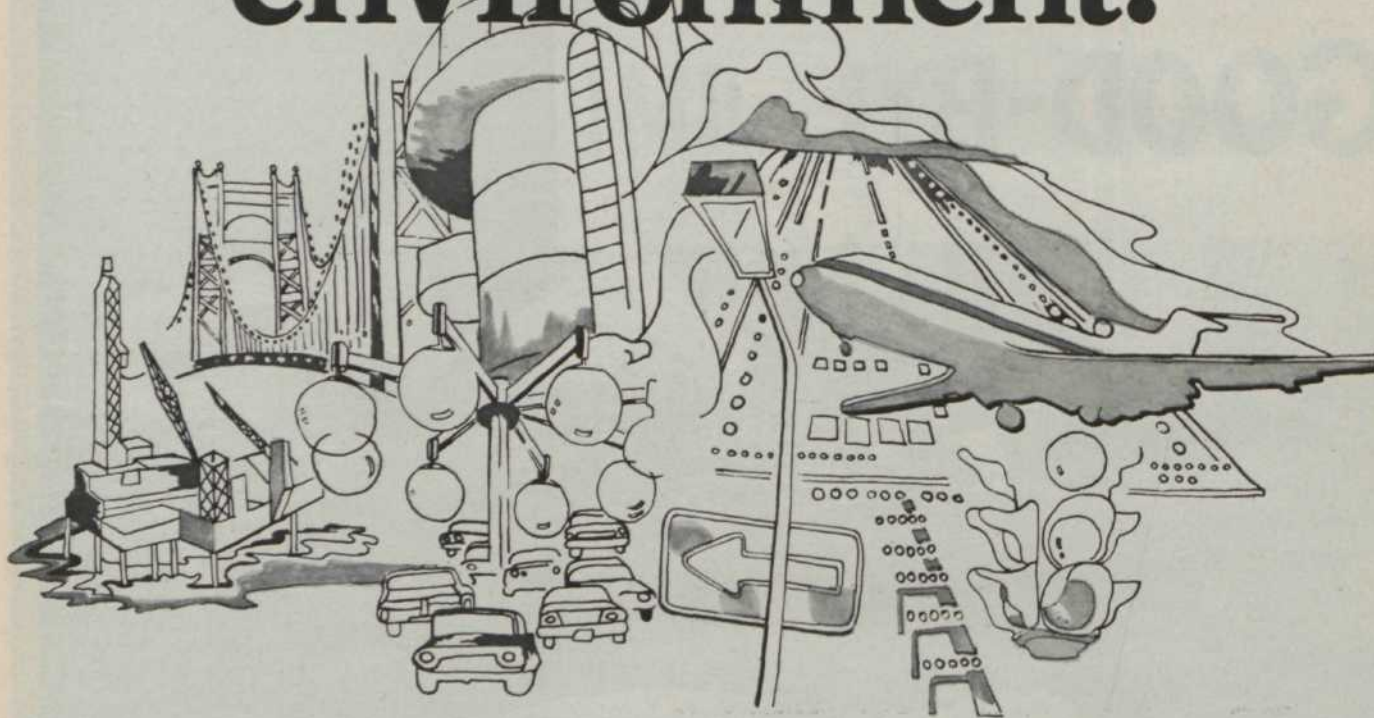


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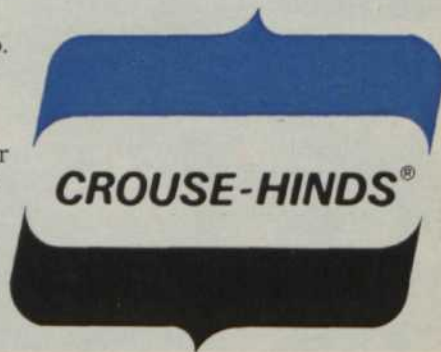


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# The House Is Losing Its "Conscience"

Wit is a potent weapon for  
this veteran defender  
of the taxpayer's pocketbook

Some years ago, when a bill creating the National Foundation of Arts and Humanities came up for debate on the floor of the House of Representatives, a somber H.R. Gross listened impassively to the preliminary discussion.

The bill, among other things, called for federal subsidies to promote such art forms as painting, creative writing and dancing.

Finally, Mr. Gross rose and spoke: "Mr. Chairman, I regret that I did not anticipate this bill would come up this afternoon or else I would have tried to appear in my tuxedo and my dancing shoes to be properly equipped for this further going-away party for the Treasury of the United States."

Then, Rep. Gross offered an amendment which he had drafted with the help of a fellow Congressman, a physician.

After the word "dance" in the bill he wanted these words inserted: "Including, but not limited to, the irregular jactitations and/or rhythmic contraction and coordinated relaxations of the serrati, obliques and abdominis recti group of muscles, accompanied by rotary undulations, tilts and turns, timed with and attuned to the titillating and blended tones of synchronous woodwinds."

He let the words sink in, waited for maximum effect, and spoke again: "That means belly dancing." The House broke up.

With such wit, the diminutive Iowa Republican has for 25 years sought to scuttle legislation whose purpose he feels is to spend for the



Rep. H.R. Gross, who's won many a battle—but never the war—against excess spending, is retiring.

sake of spending or for some other unnecessary reason. On this day he lost. Still, his record of saving taxpayer money has been phenomenal.

As a self-appointed guardian of the public purse, it is conservatively estimated he has saved the taxpayer hundreds of millions of dollars. The total may even run into billions.

Now, Harold Royce Gross, the

"Conscience of the House," is retiring at age 75.

Nothing is sacred to Mr. Gross if it calls for spending federal money. He has even questioned the taxpayers' picking up the tab for maintaining the eternal flame over the grave of President John F. Kennedy.

## "Ft. Fumble" catches it

In his folksy, blunt newsletter to constituents, "Uncle Sam" often becomes "Uncle Sucker" or "Uncle Handout." He dismisses the Pentagon as "Ft. Fumble."

He has consistently fought pay raises for members of Congress—including, of course, himself. Mr. Gross has voted against every proposed boost in Congressional salaries since they were at the \$12,500 level. (The lawmakers now are paid \$42,000 a year, plus extras.) He is not above embarrassing his colleagues, twitting their consciences, on the subject. Last February, attacking an abortive move to jump the Congressional salary level to \$52,800, he told the House:

"At a time when many segments of our nation and its people are faced with unemployment and belt-tightening, it is inconceivable that fattening the payroll of upper echelon federal executives, federal judges and members of Congress would even be proposed."

Mr. Gross has never accepted the advice of the late Speaker Sam Rayburn of Texas, usually offered to rookie Congressmen: "To get along, you go along."

He has always functioned in the



# The House Is Losing Its "Conscience" *continued*

House as though every federal dollar spent is his own, or at least his neighbor's. He'll take on a President with no less relish than a middle-level bureaucrat. More often than not, he votes against Presidential money requests and he doesn't care which party the President belongs to.

A Western Republican Congressman discovered how this kind of Gross bipartisanship works. One day he praised "good old H.R." for ripping into a Democratic bill. The next day he was overheard complaining about that "old s.o.b., H.R. Gross" after the latter had torpedoed one of the Westerner's bills.

"How much will this boondoggle cost?" is the way Mr. Gross generally kicks off his questioning on the House floor when he suspects a bill's sponsor is trying to put something over on the taxpayer.

## Reading the fine print

Nothing seems to elude his hawk-eyed attention to fine print in the myriad of bills and resolutions which come up for House action. Few members of Congress will read every bill, as he does.

Take the time, for example, when Mr. Gross focused on a Foreign Service retirement benefits bill that emerged from the Foreign Affairs Committee. He seized on a phrase, "other purposes," and bore in. The "other purposes," it turned out, cleverly concealed the fact that the bill also would jump Congressional retirement benefits a whopping 33 1/3 per cent. When H.R. Gross was finished with his attack, so was the bill. It was killed.

Anyone less skilled in the workings of the House, or who failed to do his legislative homework, would not long survive in the role of Treasury watchdog in which Mr. Gross has cast himself. Even his detractors concede that few, if any, Congressmen know House procedure as well as he. If Mr. Gross has not memorized those documents which determine how all House business is conducted—the Constitution, the House rules, Thomas Jefferson's Manual and the 11 volumes of Precedents of the House of Representatives—he can put his finger on an applicable section in moments.

He has introduced relatively little legislation, has never been a committee chairman and serves in no other leadership role.

However, his influence is strongly felt, especially when it can be anticipated that the Gross scalpel will be drawn.

"I attend many committee hearings in which the chairman will study a bill to make sure we can answer the knotty questions Gross will ask," one Congressman relates. "Many times, items will be dropped before the bill hits the floor because of him."

Except for party leaders, none of the 435 members of the House have assigned seats. But over the years no other member has tried to occupy the "Gross seat" located strategically in the third row, under the nose of the Speaker of the House, on the middle aisle which separates Republicans from the Democrats. Rarely absent, the Iowa Congressman arrives on the floor before the daily session starts, sits through the chaplain's prayer and the reading of the journal of the previous day's proceedings. Then the House starts to come alive. H.R. Gross sits and waits. Some days his questions come fast and furious. Some days he says nothing. But he's always ready to spring into action.

## Eyes on consents

To appreciate Mr. Gross' dedication to his job one would have to be in the House gallery on the two days each month when the House takes up the Consent Calendar. On these occasions flocks of bills, sometimes numbering in the hundreds, are called up and passed, without debate, by "unanimous consent."

All the bills are presumed to be noncontroversial—none involves expenditures of more than \$1 million—and attendance on the House floor is sparse. But H.R. Gross is there.

A single objection stalls action on a bill, scheduling it for a second Consent Calendar appearance. Then, objections by three Congressmen can force it into the regular order of House business where it will get more attention, and from a more representative group of lawmakers.

Over the years, Mr. Gross has tor-

pedoed countless bills on the Consent Calendar. If his first objection doesn't lead a measure's sponsor to abandon it, Mr. Gross is sure to find two allies for the second round. And the sponsor had better be prepared to defend the bill when it comes up in the regular order of business.

The peppery Iowan will fight to save a few thousand dollars with no less vigor than he will challenge a multibillion-dollar appropriation to run a super federal agency.

Some years ago, a fellow Congressman introduced a bill to create a special flag for House members—it could be used on their autos. Not much money was involved and no one opposed the idea. Except H.R. Gross, that is. Delving into the matter, he discovered that the bill's sponsor really wanted the flag so it could be flown on a yacht he owned. Revealing this didn't do the bill much good on the House floor, but a single question from Mr. Gross about the flag's use on cars was probably what killed the measure:

"Where would you fly the House flag, above or below the coon tail on the radiator cap?"

Mr. Gross has been an implacable foe of foreign aid. Once, he told the House:

"I swear I think that what we ought to do is pass a bill to remove the torch from the hand of the Statue of Liberty and insert a tin cup."

One day in September, 1967, he offered a series of amendments to that year's foreign aid bill. A total of \$588.8 million was slashed as a direct consequence.

## TV's in the jungle

Mr. Gross wrote a March, 1968, NATION'S BUSINESS article entitled, "We Certainly See Some Silly Spending." Here's an excerpt showing his use of wit to attack a federal program:

"Over at the Agency for International Development, which is skilled in getting rid of taxpayers' money on so-called foreign aid, somebody discovered that \$400,000 had been overlooked in the agency's customary spending sprees.

"What to do?

"Why, run out and buy 1,000 TV sets so that the natives in some jun-





ILLUSTRATION: JOHN HEINTZ

gle could be educated, a bureaucrat suggested. So AID bought 1,000 TV's.

"When the House Government Operations Committee looked into it, foreign aid officials had to admit they hadn't even bothered to find out which natives were suffering from a lack of television, how they were going to get the sets to operate in the jungle (the ones they bought wouldn't work on batteries) or what they were going to show the natives if they managed to get the sets operating.

"More recently, these same AID dispensers rushed around in a crash program to set up a TV propaganda

network for South Viet Nam. As a sop, they told American taxpayers that our GI's would also benefit because the network would have two channels—one for domestic propaganda, the other for 'Gunsmoke' and 'I Love Lucy.'

"You can imagine what happened. The Vietnamese took one look at the stuff on their channel and promptly switched over to 'Gunsmoke.'

"Why not? Marshal Matt Dillon has been around a lot longer than Marshal Ky."

Rep. Bo Ginn (D-Ga.) says of his colleague: "Mr. Gross is more than a Congressman. He is a one-man investigating force dedicated to pro-

tecting the taxpayer's pocketbook. He is scrupulous, untiring, uncompromising and dedicated to the public good."

And from another House Democrat, Louisiana's Rep. Otto Passman, this appraisal: "Gross has slowed down the trend to socialism from a run to a walk."

#### Sinking the "fish pond"

For years, the late Rep. Mike Kirwan of Ohio, a powerful Democrat, sought Congressional approval to build a \$10 million national aquarium on the banks of the Potomac. Every time it came up for House consideration H.R. Gross poked fun



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## The House Is Losing Its "Conscience"

continued

at the "glorified fish pond." It was never built.

In the twilight of his Congressional career, Mr. Gross is deeply concerned about the fiscal posture of the country.

"I've seen the budget pass the \$100 billion mark, then the \$200 billion mark," he says. "Now we have a \$304 billion budget with a \$10 billion built-in deficit. Can we ever turn this thing around?"

The White House alone is not responsible, he points out: "Congress shares the blame for this. No President can spend money that's not made available to him by Congress."

Few things rankle Mr. Gross more than supplemental appropriation bills—measures which come up near the end of each session to enlarge funds previously appropriated to operate government agencies. He comments:

"They [the Executive branch] bring in a bill at the beginning of the year and swear on a stack of Bibles, 'This is it.' They know better, because they invariably come back in a few months and ask for more."

### Doleful about the debt

The Congressman is doleful about the federal debt, now \$500 billion (interest alone is \$30 billion a year) and going up. Where, he is asked, will it all end?

His reply: "It ends in a takeover and repudiation of some form or another—revaluation, devaluation or outright repudiation."

He adds: "We've been financing this government off the printing presses at the Bureau of Engraving and Printing. This is printing press money and there is no productivity behind that kind of money."

Mr. Gross estimates the combined total of public and private debt in the United States at between \$2 trillion \$200 billion and \$2 trillion \$400 billion.

"We are the most debt-ridden country in the world," he asserts. "Our federal debt alone is more than the combined governmental debts of the rest of the world."

"What a paradox: Here is the most developed country in the world in debt up to its ears!"

Few people in or out of Congress

remember a piece of legislation—no matter how important or historic—by its designated number. But mention H.R. 144 to any member of Congress and he is familiar with it. Since his early days in the House, Mr. Gross has introduced House of Representatives bill 144 (the number is keyed to his name—a gross equals 12 dozen, or 144) at the start of each session.

It has a simple objective: Balance the budget and gradually retire the national debt. Year after year, it is shunted off to the Ways and Means Committee and promptly forgotten.

Now, H.R. 144 probably will be retired—like Red Grange's legendary football jersey number, 77, at the University of Illinois—unless some other member of the House, with the same zeal for economy, takes up the Gross cause.

### "Dutch" was a colleague

Born on a southern Iowa farm, H.R. Gross started out as a reporter with the old United Press after World War I service in France, moved over to the editorship of a National Farmers Union newspaper and, in 1934, signed on as news director and newscaster with radio station WHO in Des Moines. A young sportscaster and announcer on the staff was Ronald "Dutch" Reagan, now Governor of California.

During his six years with WHO, Mr. Gross was a frequent defender of the Iowa farmer. His name became a household word across the state.

In 1940, he decided to run for Governor against an incumbent Republican. But party leaders, whom he had not consulted, opposed him and he lost in the primary.

He went back to radio, this time in Cincinnati. In 1948, now living in Waterloo, Iowa, he got the political itch again and ran for Congress. And again Republican leaders opposed him in the primary, even branding him a "radical leftist." But he won the primary and went on to win the general election by 20,000 votes. Except for 1964, in the landslide Lyndon Johnson election (he was the only one of six Iowa Republican Congressmen to survive it), Mr. Gross has easily won reelection to 12 terms in the House.

He regrets only one of the votes



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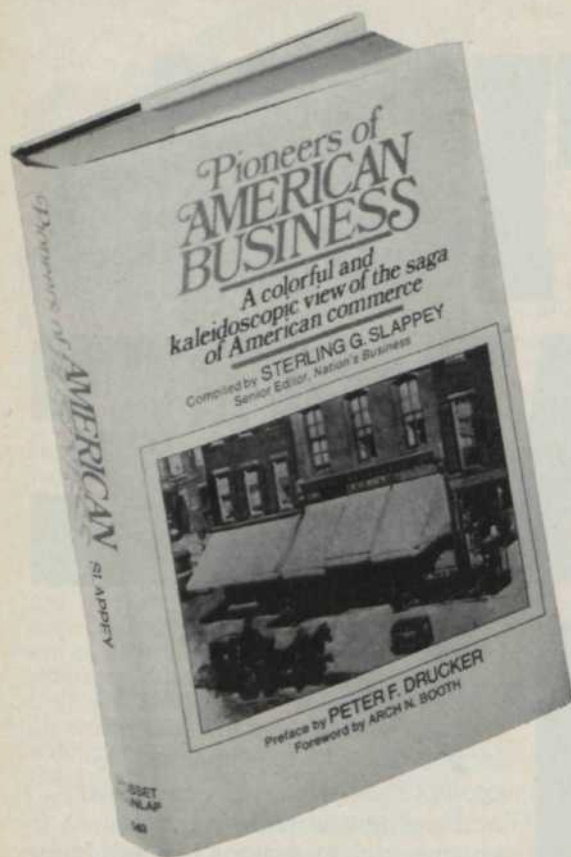
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## The House's "Conscience" *continued*

he's cast in his quarter-century in Congress.

"That was on the Gulf of Tonkin resolution," he says. "I thought I smelled something. I didn't like to vote against the President of the United States so I voted present."

Mr. Gross says the resolution, which paved the way for President Johnson to broaden the war in Viet Nam, was "contrived."

"We were very badly misled," he adds. "Mr. Johnson said Asian boys would fight for Asian soil and later McNamara [former Defense Secretary Robert McNamara] promised to bring our boys back by Christmas in 1965."

### The simple life

Mr. Gross and his wife, Hazel, live a simple life in Washington. They avoid the capital's social scene—"I've never owned a tuxedo and my wife has no ball gown," he says. "We don't need them." Mrs. Gross often reads government documents, marking sections she feels her husband will want to read.

Perhaps, in a retirement for which he has no definite plans, Mr. Gross will travel abroad. But if he does, it won't be in the fashion of some of his colleagues. He has long fought, unsuccessfully, to curb what he and other critics call Congressional "junketing." Once, an Ohio Congressman facetiously sponsored a resolution to create a committee, consisting only of H.R. Gross, to inspect American foreign aid programs overseas.

The resolution, of course, went nowhere—and neither did Mr. Gross.

"I just might take a trip one of these days, but it'll be at my own expense," the Congressman explains.

Two signs in the Capitol Hill office of this man who has won many battles, but never the war, in an unrelenting campaign to eliminate wasteful government spending, succinctly spell out a message he has been trying to put across for 25 years:

- "Nothing is easier than the expenditure of public money. It does not appear to belong to anybody. The temptation is overwhelming to bestow it on somebody."

- "There is always free cheese in a mousetrap." —VERNON LOUVIERE



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## Will the Power Go Off This Winter?

Miner militance spells major trouble for an America badly in need of coal

Americans, when it comes to coal, these days are like the missionary sitting stolidly in the jungle stewpot while natives dance about. The water is getting hotter so slowly that they aren't as alarmed as they ought to be.

As spring turns to summer it appears that by November, when autumn is turning to winter and labor contract signing time has arrived, there will be a full-fledged strike in the coal fields.

Strikes never come at convenient times and everyone suffers from them. But if this one comes, its timing could not be worse.

Demand for coal is the highest in U.S. history, and it is not being satisfied although new deep mines and surface-mining areas are opening. Demand rose last winter because of the Arab oil embargo, and fear of a repeat embargo, plus the drive for energy self-sufficiency, keep it up there.

Stockpiles at utility plants—45 per cent of America's electricity currently is generated with coal-created steam—are far below the desirable 90 days.

At many steel plants there is only a six-day stockpile, and steel produc-

tion cutbacks are constantly threatened.

Will America have the coal it needs? There are many stumbling blocks:

- Within a month, 120,000 coal miners start annual two-to-four week vacations and production will drop sharply. Traditionally, miners are slow getting back on the job, especially in contract negotiation years when their union wants to keep stockpiles low as a bargaining move.

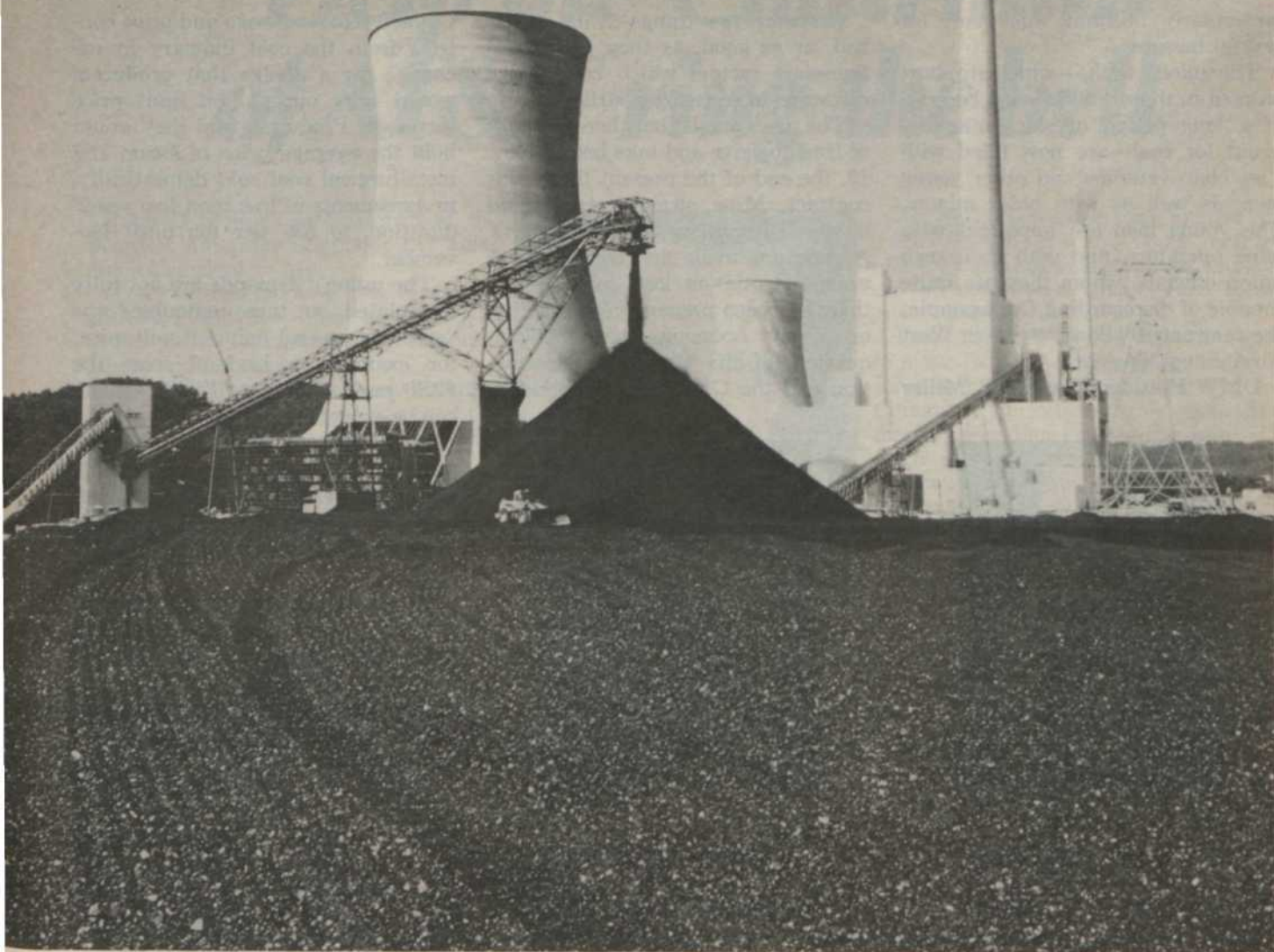
- Mine operators and utility officials are under pressure from ecologists despite the need to burn more coal

PHOTO: UPI



The Wall Street sidewalk in front of the New York Stock Exchange is a new locale for picketing and handing out of leaflets by coal miners. This spring, Kentucky miners on strike against Duke Power Co., of Charlotte, N.C., tried unsuccessfully to persuade investors not to buy \$89 million in Duke stock.





*Coal stockpiles at electric plants across the nation are already alarmingly low—even though production is up.*

and less oil. As Shearon Harris, president and chairman of Carolina Power & Light Co., of Raleigh, N.C., puts it: "Insofar as burning coal is concerned, there's no return to sanity by the environmentalists." Like oil refineries, many generating plants have been blocked by ecologists.

Donald C. Cook, chairman of New York-headquartered American Electric Power Co., says solutions exist for solving the controversy between the ecologists and industry but as of now the federal government is the big obstacle.

Federal, as well as state and local, agencies pass on new generating plant proposals. Also, federal action threatens to retard surface mining even more than at present. Operators may be forced to put land back to "original contour" even if the land's owners do not want it in that shape.

- Federal action has made mines safer, but operators say many standards are based on false information are unnecessary, and shut down useful small mines without good cause.

- With several notable exceptions, railroads are in sad shape to handle the flow of coal. Coal hoppers are in

short supply, and on top of that, as many as 8,000 hoppers are laid up for repairs on any given day. There's also a shortage of engines. At the mines there are all sorts of shortages of equipment, especially simple bolts which shore up mine ceilings.

#### **Heading toward a walkout**

The greatest damage to production, of course, would come from a strike. What are the chances that such a disastrous walkout will take place?

They're enhanced because the United Mine Workers of America is



## Will the Power Go Off This Winter? *continued*

particularly militant this year, for several reasons:

- The union's ranks—which are short on men in their middle years because of a long period of slackening demand for coal—are now filled with Viet Nam veterans and other young men, as well as with older miners. The young men are impatient with mine operators, and with their own union officials, whom they are quite capable of disregarding (an example: the protracted wildcat strike in West Virginia not long ago).
- UMW President Arnold R. Miller

However, few things in life are as bad, or as good, as they seem, and there are factors which could have influence in averting a strike.

The main one is that there's plenty of time for give-and-take before Nov. 12, the end of the present three-year contract. Mine owners, represented by the Bituminous Coal Operators' Association, made first contacts with union negotiators last Jan. 16 and there has been prenegotiation talking on many occasions since. Headquarters of the Operators' Association and the UMW are three blocks

Council removed wage and price controls from the coal industry in exchange for a pledge that producers would raise output and limit price increases. Producers said they would hold the average price of steam and metallurgical coal sold domestically, in agreements of less than five years' duration, to \$30 per ton until November.

The union's demands are not fully formulated, but there undoubtedly is "give" on several points it will raise; for example, a back-off from the \$2.80 per-ton Welfare Fund demand can be expected.

Mr. Miller repeatedly complains that miners have no sick pay benefits or cost-of-living protection, and get only two weeks' annual vacation during the first nine years of employment.

He claims further that a miner can get only a maximum pension of \$150 per month after 20 years' service. (Industry calculations indicate that under certain conditions a miner can collect \$800 to \$900 per month in retirement.)

Miners often are categorized with steelworkers. Both do very hard, dirty, and somewhat dangerous work and few people envy them their jobs. For these reasons, mine company officials are fond of quoting these average per-hour pay comparisons: \$6.07 for a miner to \$5.74 for a steelworker. Auto workers average \$5.67 and machinists, \$5.40.

### Rails on the right track

Just as there are bright spots in the strike picture, there is reason for optimism about other aspects of coal industry operations.

For example, some customer companies today are willing and able to assist in the opening of new mines. Carolina Power & Light put up 80 per cent of the \$30 million needed by Pickands Mather & Co., of Cleveland, to open a million-ton-per-year mine near Pikeville, Ky. And American Electric Power Co., which buys coal from Valley Camp Coal Co., of Cleveland, supported Valley Camp in obtaining \$20 million in financing to open a two-million-tons-per-year mine at Cedar Grove, W. Va.

Also, three of the four biggest coal hauling railroads are capable of



Arnold Miller, president of the United Mine Workers, a new man on the job, is considered a hard bargainer.



Walter Wallace of the Coal Operators' Association planned bargaining moves all winter and spring.

is under pressure to call a strike regardless of offers of higher pay and improved extra benefits, including increases in contributions that operators make to the miners' Welfare and Retirement Fund. Mr. Miller is relatively new on the job, and not yet master of his men. And his "New Democracy" program allows locals to refuse to ratify whatever the national leadership agrees to in negotiations.

- An inducement to shake the union fist at management has come from an unexpected quarter—Britain. Throughout U.S. coal fields there is a swelling of pride that the "brothers" in Britain knocked over a Conservative government in February with their national coal strike.

There's talk among American miners of a six-month strike, and of "turning off the electric lights" in wide areas of the country.

apart in Washington and the back-and-forth is increasing.

Mr. Miller is cooperating and says he wants no "crisis bargaining."

Chief negotiator for the Operators' Association is another new man, Walter C. Wallace. Mr. Wallace is a veteran of more than 50 contract negotiations in the paper and pulp industry, but this is his first time at bat in coal.

For what it's worth, his efforts have never been so fruitless as to end in a strike.

At least two major operators say they are prepared to pay more, offer better fringes and increase their per-ton contribution to the miners' Welfare Fund—but not to the \$2.80 (from the present 80 cents) that some locals demand. Offers of increased pay became a certainty in March when the Cost of Living



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## Will the Power Go Off This Winter? *continued*

rapidly increasing haulage capacities. The well-off roads are the Norfolk & Western, the Chesapeake & Ohio and the Southern. The other is the bankrupt Penn Central, whose roadbed and rolling stock are in as poor shape as its cashbox.

N&W and C&O can build cars in their own shops at a faster rate than new mines can create demand for new cars on their lines. Lawrence T. Forbes, N&W vice president for coal and ore traffic, says N&W can turn out 16 hundred-ton hoppers—largest in the world—per day and operate them profitably despite their \$17,800 cost per copy.

He says he's distressed that many N&W hoppers are "borrowed" without permission by other railroads for long periods and that investigators must constantly be on the road tracking them down.

N&W, which has a good financial position and is completely shed of unprofitable passenger business, has shown ingenuity and a venturesome spirit toward coal-hauling. A full year before the oil embargo, it opened extensive new trackage in Martin County, Ky., to bring out coal, and it has experimented on a large scale with means of hauling. Among new techniques developed by N&W, and other railroads, is one enabling them to load, without stopping, 100-hopper unit trains—trains which are never broken up but which constantly go back and forth between coal field and distribution point.

To determine how long a coal train should be, N&W put together a 500-car train two years ago. It found that 100-car trains are most practical.

### Coal takes its lumps

Ecologists may hammer away at coal—their blows were driving its use down before the embargo—but coal can't be faulted in one regard: There's plenty of it to be mined.

Just how much coal the United States has is disputed. However, there's agreement that the supply should last several hundred years, based on the present rate of consumption. The bulk of America's coal is a type used by utilities to make steam, but even the supply of premium metallurgical coal, used by steel mills, is sufficient for decades.

Unfortunately, of course, much of our coal has too high a sulfur content to satisfy environmental standards; and much of the best low-sulfur coal is where the people aren't, meaning the West.

Another well-known environmental problem is that the coal which is cheapest to claim is just below the surface and must be surface-mined. Nothing can infuriate an ecologist quicker than the threat to strip a lovely forest glade or a fertile field.

Coal companies haven't always been as willing to spend millions of dollars to restore such areas as they are now and the ecologists have never forgiven them. Ecological groups continue to fight in Congress, courts, public forums and the press whenever a new area is to be surface-mined. In response to them, the Senate passed an antistripping bill last autumn and if it is matched by the House of Representatives, President Nixon will be in a dilemma on whether to sign or veto. Based on his comments regarding the energy shortage, it is believed he would veto.

If so, he might well mention the rising demand for coal, which stems not only from the shortages of oil and natural gas, and the skyrocketing of those fuels' prices, but from disappointment about nuclear energy as a power source.

Says Herbert S. Richey, president of Valley Camp Coal Co.: "We Americans undersold ourselves on coal and really oversold ourselves on nuclear energy. A lot of people joined the nuclear fad and abandoned coal. But the nuclear program is a big bust—and it may not produce really significant amounts of electrical energy until the first quarter of the next century."

Interior Secretary Rogers C.B. Morton says coal usage will triple to nearly two billion tons annually within 15 years. Hopefully, this year we will mine about 650 million tons—50 to 60 million tons more than in 1973. This assumes no strike and it may be too optimistic.

The increasing usage is gratifying to coal men, but it has created immediate problems.

On one day in April the office of Carl E. Bagge, president of the highly regarded National Coal Association

in Washington, received calls from large industrial plants in Houston, New Orleans, Phoenix and the Caribbean area asking where regular supplies of coal could be ordered. The only thing NCA could send them was a list of coal companies and best wishes for finding supplies.

In recent months, some 46 major utility plants that are outfitted to burn coal or oil began converting over to coal.

"These plants will use about 50 million tons of coal a year," Carolina Power & Light Chairman Harris says. "This is one eighth of the 400 million tons of coal now used yearly to make electricity, and it means we all have to chase harder after the same car of coal. Of course, this in turn helps drive up the cost of coal. If our company's costs per ton of coal to make steam go from \$12.50 to \$20, 15 per cent must be added to residential customers' bills and 30 per cent to high-use industrial customers'."

Carolina Power & Light, he says, is buying extra coal, "not just to build up stockpiles against a strike interruption, but in an effort to balance the interest of the consumer for a continued supply of energy with a reasonable cost of that energy. There's some degree of risk in making that balance. There's a risk of paying too much for coal that we might ultimately not need."

Besides costing a lot more, Mr. Harris reports, some coal received at his company has either been of such poor quality that it would not make steam efficiently, or its lumps were so large—some, three feet across—that it clogged unloading facilities.

"Poor coal, and coal that's too large, unload much more slowly than good quality steam coal—which is less than two inches in size," he notes.

"We can unload a big hopper of good coal in four minutes. Bad coal can take 30 or longer."

### The iffy future

There isn't unanimity of opinion in the coal industry on many points. For one, Roger C. Sonnemann, vice president of American Metal Climax, Inc., of New York, which mines coal as well as ores, feels that demand





*Wherever miners meet—over coffee at mine canteens, at union meetings, or even after church—there is constant talk of contract negotiations and of a possible strike.*

might not rise as much as expected in the next few months.

He points to several utilities which did not shift from other fuels to coal, as planned, after the Arab embargo was lifted.

American Electric Power Chairman Cook, however, is convinced that stockpiles will decline as time wears on toward November because there will be continued unrest in the coal fields. "I'm realistic," he says, "so I'm pessimistic." However, he adds that he hopes "there will be enough statesmanship on both sides to avoid a strike. We've got to come up with a fair and decent offer to the miners. They are entitled to increases in wages and better fringes and we are entitled to a steady work force."

Though American Electric Power is a utility, it also is a coal producer. Under Mr. Cook, it foresightedly obtained huge reserves of coal years back.

Another executive—of a major coal

company—takes a gloomy view. Asking that his name not be used, he points out that 1974 could be a tough year for negotiations because coal operators are "dealing with a union noted for aggressiveness and independence. Besides, the union has a new slate of officers as a result of last year's elections."

This executive, as do several others, notes that the militant rank-and-file union membership, meeting in a convention last January, turned down an arbitration proposal that had been agreed to by the union leadership and coal operators.

There's fairly general agreement all around that a new contract will carry substantial increases in pay. At UMW headquarters a spokesman says the "union feels that the operators will put up more money willingly if they can be assured they will have a steady work force."

Then he adds: "But the union can't guarantee that. We can't force a miner to go into the pits. Miners

are traditionally an individualistic lot.

"Right now they feel they are far behind other union people in fringe benefits. They want 30 days' sick leave a year and the right to carry over to the following year the days they don't need. They want cost-of-living raises, a much better retirement program and more money for the Welfare and Retirement Fund."

Sentiment gathered at the UMW is that there will be a strike—possibly only two weeks long, possibly much longer. The fact that the steelworkers reached a settlement three months before their contract expired seems not to have made a great impression at UMW headquarters.

Even a two-week walkout would have a serious impact on coal consumers because of the loss of needed production. But the impact would be mild compared to the effects of a long, acrimonious strike. And unfortunately, that kind of strike could develop come the cold weather. END



# Another Costly Headache for the Employer

The way to avoid the pain of the National Workers' Compensation Standards Act, it's argued, is to make sure this is one Act that is never enacted

**Y**ou're not in shipping, and the Longshoremen's and Harbor Workers' Compensation Act couldn't possibly apply to you?

Guess again.

If organized labor prevails in Congress, your business could find itself forced to provide workmen's compensation benefits like the highly liberal ones decreed for dockhands.

Passage of pending legislation, the National Workers' Compensation Standards Act (S. 2008), would add billions of dollars to businesses' costs—over \$30 billion more a year, by one estimate—and mean still more federal regulation and paperwork.

"S. 2008 is the wrong bill at the wrong time," says Fred Drexler, board chairman of one of the nation's largest workmen's compensation insurance firms, Industrial Indemnity Co., of San Francisco, and also president of the California Workmen's Compensation Institute. "It calls for federal action before a need is shown and . . . if finally a need is shown, it provides the wrong remedies."

Its passage, he says, would "lead to uncertainties, to bureaucratic intervention, to usurpation of state responsibilities and to staggering and unforecastable costs."

And a man who is perhaps the nation's foremost scholar on compensation law, Arthur Larson, director of Duke University's Rule of Law Research Center, states bluntly that the proposed legislation would be "unworkable."

Interpreting its provisions, he says, would involve such complex legal questions that "years of litigation would be necessary" to determine what they mean.

Sponsors of the bill shy away from the term "federalization," which is a long-time goal of organized labor. (A single federal agency running a nationwide workmen's compensation program would be much easier for labor to target than the 50 legislatures which now set the standards in their respective states.)

But the National Workers' Compensation Standards Act would offer the individual states little real freedom of choice:

- They could change their state programs to conform with 21 new federally set standards providing for a

broad expansion of benefits and coverage—financed, of course, by major increases in employer costs.

- They could adopt the workmen's compensation provision of the Longshoremen's Act, which now applies to 800,000 workers. This, too, would mean a broad expansion of benefits and coverage, though not as broad as under the 21 new standards. And this approach would pose problems of its own. While state personnel would continue to administer a program, they would be under supervision of the U.S. Labor Department. As Stephen M. Hadley, a member of the Utah workmen's compensation commission, puts it: "To be shackled with a state administrator who cannot make a final decision without approval of the Secretary of Labor is a step backward, not forward."

- States which took neither of these steps would face a complete federal takeover, under which the Longshoremen's Act would be imposed on them and administered by federal personnel.

Whatever step a state took it would face more federal regulation later. The bill gives the Secretary of Labor open-ended authority to set new standards without additional legislation and permits the Secretary of Health, Education and Welfare to specify additional grounds for eligibility for benefits.

**B**ackers of S. 2008 maintain the range of choices is proof that all-out federalization is not the goal. Critics respond that in any event all states would end up with federally mandated standards.

Business leaders point to a middle-of-the-road alternative to this legislation—constructive action, improving state programs where needed but keeping them under traditional state control. They note that last year alone, more than 200 laws to improve compensation plans were adopted in 49 states.

Such improvements, the business leaders agree, involve additional costs but the increases are of nowhere near the same magnitude that S. 2008 would involve. And there would be no threat of federalization.

Workmen's compensation generally provides cash payment in lieu of lost wages, medical care and re-



habilitation services for people suffering from injury or disease related to their employment.

In most states, the coverage is provided through private insurance companies under policies bought by employers at no expense to the worker. Of all benefits paid, 63 per cent come through private insurers, 23 per cent from state-operated funds and the rest from employers who are self-insured.

**T**he National Workers' Compensation Standards Act (note that the title avoids the word workmen's, in deference to the 34 million females in the nation's work force) is sponsored by Sen. Harrison A. Williams Jr. (D-N.J.), chairman of the Senate Labor and Public Welfare Committee, and Sen. Jacob K. Javits (R-N.Y.), its ranking G.O.P. member.

In introducing the bill, Sen. Williams conceded that workmen's compensation programs had historically been the province of the states, but went on to say that it had also historically been a federal function "to prescribe minimum labor standards where state efforts have been inadequate."

He didn't mention "federalization." And Sen. Javits insisted that "the intent of this legislation is not, as some have alleged, to federalize workmen's compensation. . . . I oppose federalization. . . ."

At the same time, he explained the bill this way:

"Each state would have until Jan. 1, 1975, to meet substantive minimum standards set forth in the bill. If a state fails to meet the standards, the federal Longshoremen's and Harbor Workers' Act would apply within the state but . . . even in that eventuality the administration of the law within the state would not necessarily be federalized.

"Rather, the bill specifically directs the Secretary of Labor to enter into an agreement [under which] . . . the state workmen's compensation agency . . . would agree to administer the federal law under the general supervision and direction of the Secretary. . . . It is only if a state refuses to enter into such an agreement that the federal government would administer the program."

Both supporters and opponents of the Williams-Javits bill are drawing in large measure for ammunition on the same document—"The Report of The National Commission on State Workmen's Compensation Laws," issued last year.

The Commission was set up in 1970 by the same law that launched the Occupational Safety and Health Administration, which has given employers a task that many have found nettlesome or worse—trying to live with a job safety and health plan run by the federal government.

Serving on the Commission were 18 members representing business, labor, government and the public, with all members experienced in various phases of workmen's compensation.

**W**hile backers of the Williams-Javits bill argue it doesn't call for federalization, there have been claims on its behalf that the Commission's key proposals amount to a recommendation for just that.

But the Commission's chairman, Dr. John F. Burton Jr., associate professor of industrial relations and public policy at the University of Chicago's Graduate School of Business and a former senior staff economist for the Council of Economic Advisers, says: "That is not what we recommended."

The Commission, he notes, stated: "We reject the suggestion that federal administration be substituted for state programs at this time."

A caveat was added stating that "several commissioners believe a federal takeover of workmen's compensation may be appropriate in a few years if the present deficiencies are not corrected promptly," but the Commission said these same commissioners "also believe these deficiencies can be overcome by the states."

Dr. Burton says he has three general reservations about the Williams-Javits bill:

1. "Some of the standards go beyond the essential recommendations of the Commission. Some are particularly expensive and not very realistic. For example, the bill provides that a compensation claim rejected in



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## Another Costly Headache for the Employer *continued*

the past because it did not qualify under then-existing state standards could be reopened and paid if it met current standards. This would be almost impossible to do administratively. You would have claims five or 10 years old. And the bill doesn't make it clear who would finance the payment of such claims."

2. "The bill gives the Secretary of Labor too much discretion over additional standards that would be binding on the states. He would have to go through a certain hearing procedure before promulgating them but he wouldn't have to go back to Congress. I would prefer to see Congress involved."

3. "Though we recommended that federal standards become obligatory after July of 1975 if the states didn't get straightened out, the programs would continue to be essentially state-run. The ultimate sanction of the Williams-Javits bill—by contrast—would be a federal preemption, with federal personnel running the program. That is federalization, in my mind."

The Commission, Dr. Burton says, wanted to give states "a clean shot" at working out their own improvements. And, he says, "there has been some progress. Perhaps it will be accelerated."

### How costs compare

Business' stake in heading off a federal takeover of compensation programs is vividly evident in a comparison of costs with existing state programs.

A report by the Kemper Insurance Group notes that the maximum weekly payment for temporary disability is \$94 in Pennsylvania, \$100 in Minnesota, \$108 in New Jersey, \$124 in Illinois, \$150 in Arizona, \$153 in Connecticut—and \$210 under the Longshoremen's Act.

The \$6 billion a year employers are now spending for workmen's compensation insurance covers nearly 85 per cent of all workers, and coverage is increasing. The National Commission's recommendations, calling for total coverage as well as other changes, would add an estimated \$2 billion to that amount.

The Williams-Javits plan would make the price tag staggeringly large,

er, because of a far faster schedule for raising benefit levels, a broadly liberal definition of what constitutes a work-related injury or disease, and the provision for reopening previously ineligible claims.

Just how much larger the price tag would be is an open question.

Says the Kemper Group report:

"Some idea of the difficulty of estimating in advance the cost of a radically expanded benefit program can be obtained from reviewing experience under the Coal Mine Safety and Health Act, the black lung law."

"In 1969, advocates estimated the cost at a maximum of \$50 million but the Social Security Administration in 1972 reported to Congress that payments were then running at more than \$1 billion a year—more than 20 times the earlier estimate."

And, the report points out, the bill now pending in Congress "prescribes disease standards equivalent to those of the black lung law."

Similar cost overruns under the broad coverage of the Williams-Javits bill could mean an annual workmen's compensation price tag of \$40 billion, according to one estimate.

Overall, the business community views the recommendations of the National Commission as a more reasonable approach that would bring improvement in workmen's compensation without radical changes.

Businessmen cite in particular the fact that the Commission plan encourages state initiatives, and does not propose any broad power for federal authorities to require new standards without Congressional action, or any reopening of cases previously ruled ineligible.

### "Friendly advice"

At the same time, they recognize that the Commission does not stand for the status quo.

Summing up its work, the Commission said:

"Our report must . . . be understood as a repudiation of the old saw that 'even your best friends won't tell you.' We believe we are workmen's compensation's best friends and, as friends, we are telling those who control the fate of the program that it should and can and must improve."

END



# panorama of the nation's business

By VERNON LOUVIERE  
Associate Editor

## Picasso as a Spur to Productivity

The worlds of Pablo Picasso and of industry are getting together on the outskirts of Chicago.

A 30-foot-high sculpture, called "The Bather" and designed by the late artist in 1962, will be erected this fall at Gould Center, the new corporate headquarters of Gould, Inc., in Rolling Meadows, Ill.

"The Bather" is one of a series of Picasso-designed sculptures constructed in concrete and the only one owned by a business.

Picasso stipulated before his death that these sculptures were to be placed in appropriate parklike settings. The plaza at Gould Center, where this one will go up, features landscaped lawns, flower beds and a reflecting pool—carrying out the Picasso concept.

"Business generally has been good for art . . . both for the artist and for the public," said William T. Ylvisaker, chairman and president of Gould, a manufacturer of electrical, electronic and automotive products, in announcing acquisition of the Picasso sculpture. "And it is certainly good for business if the art purchased is a contribution to the environment of its employees and neighbors."

According to Mr. Ylvisaker, art, like good office planning and proper use of space, is a functional contributor to a productive working environment.

"There simply is no reason to spend half your waking hours in joyless, beautyless surroundings," he

says. "Art should enrich one's daily life and stimulate one's imagination and creativity . . . and not, I think, only on occasional visits to museums and rare trips through the galleries."

Gould Center, still under construction, is located on a 40-acre site and will include a high-rise office tower as well as an area of smaller buildings complemented by a small lake and park area.

"We envision the center as a complete cultural and creative environment for employees, visitors and our neighbors in the community," says Mr. Ylvisaker. "We want to make it one of the Upper Midwest's most desirable places to work in." •



Pablo Picasso's "The Bather" will dominate the plaza at Gould Center, under construction outside Chicago. Gould, Inc., is the only business to acquire a Picasso in concrete.

## For Hire: Top-Notch Board of Directors

How would you like to hire, on a one-shot basis, a first-rate board of directors?

A Washington, D.C., firm is making something like that quite possible.

Ehrlich-Harris-Manes & Associates, Inc., an advertising, marketing and public relations agency, has created a marketing council which taps the brains and know-how of some of the Washington area's top businessmen.

The council offers to look at a firm's marketing problems and work out a plan of action to resolve them.

Alvin Ehrlich, president of E-H-M, calls this a unique approach to marketing and says:

"The council's major functions are problem-solving in the broadest sense, with emphasis on a creative approach; spotting pitfalls in a given

plan, in a new idea, or inherent in a marketing situation; and analyzing the practicability of a marketing plan."

Here's how it works:

An applicant for help provides a written outline of his problems together with essential background information. This is given to council members, so they can familiarize themselves with the situation. Then the applicant has a meeting with a council panel.

He may specify which council members will sit on the panel and he is assured that all information he gives and recommendations which follow are kept confidential. Panel sessions generally run from three to five hours.

The council, which now has 13 members and is being expanded, includes top officials of a large chain of drugstores, a financial management company, a metropolitan newspaper, a public utility and a major

investment company. They receive nominal sums out of the \$5,000-plus clients pay for the marketing service.

"We get these executives, each of whom is active in the daily operations of his own organization, because they're interested in marketing and because they want to help other businessmen," says Mr. Ehrlich.

Collectively, the council members represent firms doing about \$2 billion worth of business annually. Mr. Ehrlich, whose agency conceived the idea of the council, explains:

"I've always felt something like this was necessary. It makes a client more aware of his marketing problems—sometimes he doesn't even know he has some of them.

"It has the added value of being entirely objective—something often difficult for top management to achieve when faced with problems involving their own business." •

*continued on next page*



## Getting Relief From Consumer Headaches

Business as usual is becoming a thing of the past for the American retailer, who must contend with boycotts, product callbacks and increasingly stringent federal and state consumer legislation.

But he may get some relief by reading "The Retailer's Guide to Consumer Action," just published by The Sperry and Hutchinson Co.

The trading stamp firm suggests the retailer develop a strong customer policy he knows he can live with—"put it into effect and see that it remains consistent." Some policy points recommended: Fair credit terms which customers understand. Simple, straightforward warranties and guarantees. Rapid action on complaints. Honest, factual advertising that can be substantiated.

"Know your customer," the booklet says, advising the retailer that he can anticipate problems by finding out how consumers view his business. The retailer is encouraged to talk with his employees. "Employees are in an excellent position to give you valued information," the booklet notes. "They are often the only ones to hear customer likes and dislikes."

Creation of consumer advisory

boards made up of a cross section of customers is another recommendation.

Their members should be treated as an extension of management, the booklet says.

"One of the strongest advantages of the free enterprise system is its ability to produce a wide selection of quality products and to give superior service at reasonable prices," says

S&H in a foreword to the 26-page booklet.

"Business must exercise its leadership by bringing the consumer issue into focus."

The booklet is obtainable free by S&H Green Stamp accounts and their subsidiary retailers or by sending \$5 to The Sperry and Hutchinson Co., Consumer Services, 2900 West Seminary Drive, Ft. Worth, Texas 76133. •



Useful tips for retailers trying to cope with consumer problems are contained in a booklet published by Sperry and Hutchinson.

## Where Any Employee Is Heard at the Top

If janitors or file clerks at Pitney Bowes, Inc., want to get something off their chests they can take it up with the chairman of the board.

In fact, all the employees at the company's Stamford, Conn., headquarters, as well as those in the field, are given a chance to talk things over with the company brass.

For almost 30 years, "jobholders meetings" have been a way of life at Pitney Bowes.

"We feel we should communicate with our employees as much as with our shareholders," says Fred T. Allen, chairman and chief executive officer of the mailing equipment and

business machines manufacturer. "Talking to and listening to employees is a natural way of doing business to me."

Once a year, the 4,000 Pitney Bowes employees in Stamford meet with Mr. Allen and other top company officials to sound off or seek information. Similar meetings are held for the company's 6,500 employees in the field. In addition, smaller sessions are held monthly with management representatives.

By and large, Pitney Bowes uses the meetings to report on the company's financial health; business planning; wages and extra benefits, including profit sharing; and other areas of general interest.

For their part, employees are encouraged to question any member of

management, including the chairman.

Questions are asked from the floor or submitted anonymously in writing. It is company policy that all questions are answered, if not on the spot then in a subsequent communication—by letter, company internal publication or bulletin board.

"It's essential to preserve the integrity of these meetings by giving responsive answers to all questions and comments," Mr. Allen explains. "All this is paying off in excellent employee relations. Worker morale is high and absenteeism and turnover are below the industry average."

The employees seem to agree. Posters prepared by employees for this year's sessions proclaim, "Getting and giving answers is what jobholders meetings are all about." •



# Rougher Going for the Yankee Trader

A developing common market is making U.S. business take a tumble in the Andes

**LIMA, Peru**—In the subconscious of many North Americans, South America is a jumble of gauchos, Juan Peron, Brazilian generals, peasants in grinding poverty, headhunters on the Amazon and carnival dancers in Rio.

Favorite sports are soccer and overthrowing governments. Llamas walk the streets.

Well, South America is a lot more than that, and our sister continent has been changing fast.

Many things, political and economic, contribute to the changes, not the least being the growing strength of the Andean Pact, a developing common market made up of Chile, Bolivia, Peru, Ecuador, Colombia and Venezuela.

The Pact is of tremendous importance to businesses engaged in South American trade. Pact restrictions on company operations and ownership are disturbing to private enterprise in general in Latin America, and especially to U.S. companies.

Pact officials deny that they are anti-business, anti-Yankee or anti-foreign, but the Pact, also known as the Andean Group, does put a crimp in operations of hundreds of American firms.

It came into being in 1969 after a decade of aborted plans, becoming the third Latin American common market. Neither of the others—the Latin American Free Trade Association, which includes Mexico and all of South America except Surinam, Guyana and French Guiana, and the Central American Common Mar-

*SENIOR EDITOR Sterling G. Slappey interviewed officials and businessmen in Lima, New York and Washington in preparation for this article.*

ket—has made much progress despite glowing prospects. Both have suffered from excessive nationalism, with one member country often wanting others to surrender rights without giving up rights of its own.

The Andean Pact's goals include ultimately abolishing all tariffs between its six member nations, and creating a common policy on imports from the outside world. Another goal will be to concentrate production in areas best suited to it—for example, overpopulated regions would get labor-intensive plants, and plants would be located as near as feasible to the raw materials they need.

End objective, of course, is to increase commerce between the members and at the same time to increase their commerce with the rest of the world.

During its first year, the Pact—which then did not include Venezuela—showed few signs of vigor.

## 24 skidoo?

Then in December, 1970, Decision 24 was issued—leaving American businessmen, and not a few South Americans, gasping. It abruptly restricted foreign investors and foreign-owned firms.

In August, 1972, the Pact's commissioners, sitting in Lima, issued the Pact's development program for metalworking firms. Under the program, certain metal products can only be made by assigned producers in certain Pact countries if they are

to be shipped free of tariffs and other restrictions to other Pact countries.

Venezuela became a member of the Pact last year, bolstering it considerably. Without Venezuela, one of Latin America's most advanced countries, the Pact was in danger of foundering as have many grandiose South American programs.

The Pact now encompasses 70 million people. It covers one fourth of South America's land mass, and has one fifth of the continent's population. Its collective gross product of \$40 billion yearly comes to one fifth of the continent's total gross product, and Pact nations dominate Latin America's huge mineral production. They import over \$5 billion in goods annually, with, of course, the United States being the leading supplier.

In the next three years the Pact plans to issue development programs for chemicals, petrochemicals, pulp





## Rougher Going for the Yankee Trader *continued*

and paper, glass, dyestuffs, motor vehicles and steel. Like the metal-working program, these will specify what companies get favored tariff and customs treatment within the Pact. Programs will regulate industries so certain products can only be produced profitably in certain nations.

Americans in Pact countries are guarded in what they say about the Pact for fear that if they are too critical they may be asked to leave. They are particularly careful in Peru, Ecuador, Bolivia and Chile, which have military dictatorships. Colombia and Venezuela have democratically elected governments and businessmen there are freer to speak out.

Of all the Pact's restrictions, most troublesome for foreign companies is Decision 24. Among its main points:

- Foreign firms (almost a euphemism for U.S. firms, since they predominate) must sell controlling interest in enterprises in Pact countries to local buyers or Pact governments. They have up to 15 years to do so in some countries, up to 20 in others.

- They may no longer buy local firms to launch businesses in Pact countries.

- They can send home no yearly profits exceeding 14 per cent of invested capital. Capital cannot be exported unless it derives from the sale of stock.

- They can do no long-term borrowing in Pact capital markets.

A variety of restrictions are placed on trademarks, patent licensing and technology agreements.

The most radical Decision 24 restriction, of course, is the one that forces foreigners to give up control of their companies.

This "fade-out" system is changing foreign ventures into "mixed ownership enterprises"—in which domestic investors own 51 per cent of stock—or into "national enterprises"—in which domestic ownership is at least 80 per cent.

The first, and still echoing, cry of alarm came from members of the Council of the Americas, a cooperative effort of 230 large American firms doing business in Latin America. Headquarters are in New York, and Chase Manhattan Bank Chairman David Rockefeller is a guiding light. The Council itself has not com-

mented on the Andean Pact, preferring to let member companies do the talking. However, it has conducted panel discussions across the United States to familiarize businesses with Pact restrictions.

### A sea of "pluralism"

During one such discussion an American executive—who insisted he not be identified because of his sensitive interests in Peru—raised the point that the Pact may not be viable over the long run since each member country has its own concept of economics and government. "There are six viewpoints on every question," he said.

However, Javier Silva Ruete, director-secretary of the Pact's Board, says the evidence so far indicates that the variety of views within the Pact about government does not herald the agreement's demise. "Since the Pact was first planned over 10 years ago," he says, "there have been four changes of government in Bolivia, two in Ecuador, three in Chile and two in Colombia. We're still afloat. We are not riding a sinking boat."

Dr. Germánico Salgado of Ecuador, a highly regarded economist who also serves as coordinator on the Pact Board, says there is "no desire for political integration," but: "Economic integration is a necessity. We are quite interested in the possibility of moving workers across national borders as needed."

Other Pact officials brush aside thoughts that typical South American border disputes could blow the Pact apart. And Mr. Silva says recent meetings with the Council of the Americas have been fruitful.

At Pact headquarters there are no ill feelings toward the U.S. government. Acknowledgement goes to the Embassy in Lima for being helpful in supplying information and technical assistance to the Pact, and to several American companies, that avoided unpleasantness.

Until the overthrow of President Salvador Allende in September, Chile was the most anti-business, anti-foreign investment, anti-U.S. country in the Pact. The military dictatorship which replaced Allende has turned the situation around,

reviving the entrepreneurial spirit.

This leaves Peru as the Pact nation whose government has the greatest dislike for private enterprise and the United States. Peruvian restrictions on foreign investments go far beyond the most stringent Pact concepts.

Peru's dictatorship, headed by Gen. Juan Velasco, has never compensated International Petroleum Co., an Exxon subsidiary, for about \$150 million worth of property seized five years ago.

Last New Year's Eve, the dictatorship nationalized the \$175-million American-owned Cerro de Pasco mining interests, and though it agreed later to compensate Cerro and 10 other U.S. firms which lost properties in takeovers, the sum to be paid—\$150 million—is only a small part of the companies' investments. Previously, the regime settled accounts with International Telephone and Telegraph after seizing the Peruvian telephone company.

Not only has the dictatorship torn into U.S. ownership, but it also has instituted programs drastically curbing all free enterprise.

### Bosses from the bottom

All medium and large industrial firms now have "industrial communities" within them which largely fix company policy, allocating funds, calling for audits and setting salaries—even those of American managers. The "communities," which are somewhat like the worker-management councils which run enterprises in Yugoslavia, are made up of employees in all walks of work—from janitor to executive.

Companies in Peru hold elections among employees to determine the groups' membership. The American manager of a large U.S.-owned firm last year saw a portion of his authority swept away when management's slate for its community failed to capture a majority of the seats.

Each year, 25 per cent of pretax profits must be distributed—10 per cent in cash to workers and 15 per cent in company stock to the industrial community. This distribution continues until the community holds 50 per cent of the shares.

Similar distribution schemes are



being worked out for nonindustrial firms, such as retailers.

Other government schemes have increased the size and strength of the economy's "social sector," which is made up of collectives and worker-owned enterprises, while drastically weakening the private sector. Government purchases are channeled to companies owned by workers. Interest rates for them are more advantageous than rates for other firms.

The state buys all foodstuffs and sells them to retailers. Fish meal and oil production are monopolies of government companies.

A small, privately-owned airline (in which Americans have major interests) has difficulty getting permission to buy jets while a smaller, government-owned airline gets quick permission. British interests in railroads have been bought out.

The state owns two of Peru's five largest newspapers and sees to it that they get bountiful portions of advertising while privately-owned papers go hungry. Broadcasting facilities are state-controlled. And the state has invaded a dozen other economic areas, even taking over a supermarket chain.

### **Another whipping boy**

U.S. firms have company in their misery over the Peruvian and Andean Pact restrictions which make portions of Latin America dubious areas for investments. The Brazilians, even though they are Latin Americans, are having the same investment woes there as North Americans.

Brazil, too, is big, rich, energetic and seeking new markets. One hears as much criticism of Brazil as of the United States in Pact countries.

"At least we aren't alone this time," an official of a U.S. subsidiary in Peru says. "Usually, we Americans get it in the neck all by ourselves."

He adds: "One thing to remember back home is that the common market down here is here to stay, and I'm afraid that so is the adverse attitude of many South American governments. We have to learn to live with it—or get out."

"And getting out is exactly what some of these governments want us to do."

END

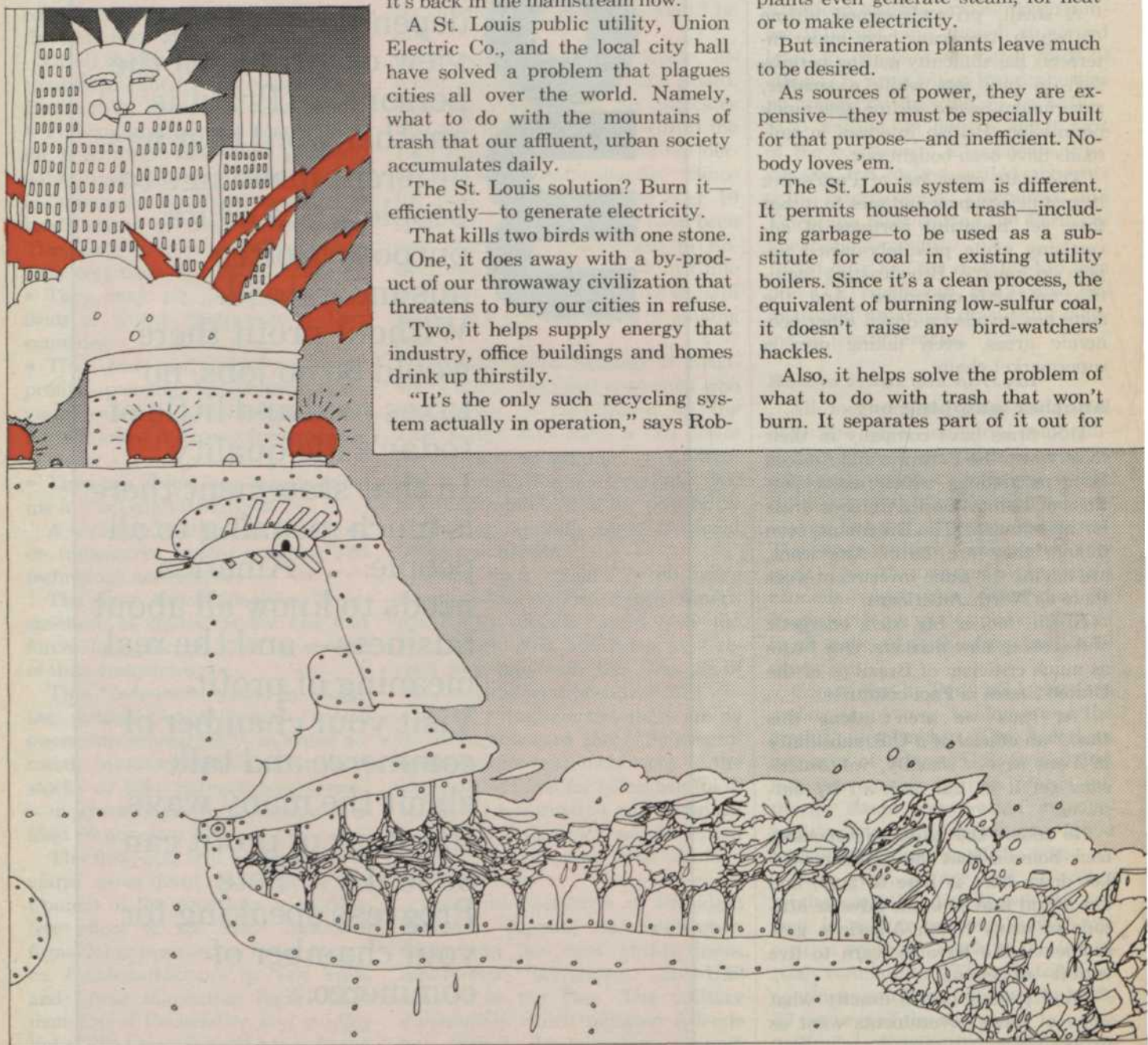
# SPROBS

Meaning, it's said, is in people rather than in words. . . . A word may mean a lot of different things to a lot of different people. Stock, for example, is cattle, or a flower, a soup base, a part of a gun, an inventory, or an investment. . . . It depends on point of view, or interest of the person. . . . Profit is another word that has different meanings to people. . . . And its purpose is often misunderstood. . . . Without profit there would be no jobs, no taxes paid and little of today's life quality. . . . In that statement there is much meaning to all people. . . . America needs to know all about business—and the real meaning of profit. . . . Visit your chamber of commerce and talk about the many ways the story of profit can be told. . . . Pete Progress speaking for your chamber of commerce.



## Wattage From Waste

St. Louis shows  
the way: A utility  
can put trash to  
mighty good use



"St. Louis caught the boat," a wag once said. "But it missed the train."

He meant that the old river town was *the* gateway to the West when growth flowed up those vast inland arteries, the Mississippi and Missouri rivers. Then, in the 1860s, when the iron horse began to take over from the paddle-wheeler, the main East-West rail lines were laid north of Missouri, a Civil War-torn border state.

So, St. Louis missed the train. But it's back in the mainstream now.

A St. Louis public utility, Union Electric Co., and the local city hall have solved a problem that plagues cities all over the world. Namely, what to do with the mountains of trash that our affluent, urban society accumulates daily.

The St. Louis solution? Burn it—efficiently—to generate electricity.

That kills two birds with one stone.

One, it does away with a by-product of our throwaway civilization that threatens to bury our cities in refuse.

Two, it helps supply energy that industry, office buildings and homes drink up thirstily.

"It's the only such recycling system actually in operation," says Rob-

ert J. Bartolotta, an International City Management Association official.

"Over 30 cities have just about completed feasibility studies for a similar system. Everybody else looked at the possibility. But St. Louis proved it could work."

Burning trash, to get rid of it, is now new.

In America, and in Europe, incineration plants have been spewing out smoke for decades. In some cases, the plants even generate steam, for heat or to make electricity.

But incineration plants leave much to be desired.

As sources of power, they are expensive—they must be specially built for that purpose—and inefficient. Nobody loves 'em.

The St. Louis system is different. It permits household trash—including garbage—to be used as a substitute for coal in existing utility boilers. Since it's a clean process, the equivalent of burning low-sulfur coal, it doesn't raise any bird-watchers' hackles.

Also, it helps solve the problem of what to do with trash that won't burn. It separates part of it out for



sale to steel mills. Aluminum-makers hope to recycle the other metals.

There's a virtual gold mine of metal in the refuse from millions of American homes. The U.S. Environmental Protection Agency estimates that more than \$1 billion is there—annually—for the taking.

### How it all began

The story of St. Louis' success in turning trash into fuel begins with Horner & Shifrin, Inc., an engineering firm which won several contracts in the early 1960s to build incinerators in St. Louis County. No one wanted the incinerators as neighbors. Lawsuits, and community choler, blocked construction.

There must be a better way, Vance C. Lischer, then Horner & Shifrin's executive vice president, reasoned.

One day, in the late 1960s, he sat down with John K. Bryan, a Union Electric engineer who is now one of the utility's vice presidents. As he recalls, the get-together was at a meeting of the Missouri Society of Professional Engineers at the Missouri Athletic Club.

Engineer Lischer wondered what would happen if you fed an impurity,

trash, into a coal-fired boiler—perhaps enough of it to constitute 5 per cent of the fuel. Engineer Bryan, an expert on utility boilers, might know, he thought.

Later, the same subject was knocked around at other informal meetings—at Stan and Biggies, a popular local watering spot, and the Jefferson Hotel.

F.E. "Ed" Wisely, a Horner & Shifrin expert on incinerators, sat in.

Horner & Shifrin knew civil engineering from A to Z. Union Electric engineers knew what makes a coal-fired utility boiler click.

"The city, then as now," says Mr. Wisely, "had an aggressive, innovative leadership at City Hall. It was keenly interested in an acceptable, inexpensive way to solve trash disposal. It didn't have a lot of money to invest in a solution. But the Environmental Protection Agency was willing to help bankroll the city's share of the project."

Union Electric willingly agreed to pitch in—on one condition.

"We wouldn't take a dime of federal funds," says Earl K. Dille, executive vice president.

So a deal was made. St. Louis, with federal aid, would try to figure out how to prepare the trash to make it usable.

The utility, at its own expense, would try to work out a way to feed the material into its boilers as a supplementary fuel.

David L. Klumb was project engineer for the utility; G. Wayne Sutterfield, St. Louis refuse commissioner, headed the city's team.

In April, 1972, Union Electric began full-scale testing to see if refuse could be burned efficiently in pulverized-coal-fired boilers which Combustion Engineering, Inc., specially modified for it. A year later, the trial was pronounced a success.

### Sharing the benefits

In February, 1974, the utility announced it would build a \$70 million system—at its expense—to burn "essentially all of the solid waste generated in the metropolitan St. Louis region," where 2.5 million people live

and throw away 7,000 to 8,000 tons of trash a day.

For the area, it means no large, costly and unpopular landfills or incinerators.

For the utility, it means huge savings of coal. Its new boilers are designed to burn 190 tons of coal per hour and 100 tons of refuse—a far higher proportion of trash than the 5 per cent once hoped for. The processed trash, pound for pound, produces about half as much heat as coal does.

In addition, 150 pounds of steel are recovered from every ton of solid waste. Granite City Steel Co., in nearby Illinois, buys it as scrap. Finally, 10 to 20 pounds of aluminum, copper, brass and other metals may be salvaged from every ton of trash.

For Horner & Shifrin, the system's success has meant contracts for feasibility studies from cities both large and small. Ditto for Combustion Engineering.

Would the process work in an oil-fired utility boiler?

"I won't say it won't," says a Union Electric engineer, "but it would present some new problems."

Meanwhile, other cities, and utilities, are trying to convert trash to an oil-type fuel which has a low sulfur content—and thus a low pollution quotient. It's estimated that the refuse Americans throw away every year is the equivalent of 290 million barrels of low-sulfur oil—about 5 per cent of domestic consumption.

However, says Arsen Darnay, an Environmental Protection Agency solid waste management expert, the St. Louis system "holds by far the most promise for rather quick application in a number of cities."

Visitors from all over the world come to see the St. Louis miracle at work.

"They line up in columns of fours to inspect it," says Leo J. Reid, Union Electric's community affairs supervisor. "We've had them from as far away as Japan."

One of these days, frayed kimono, as well as worn-out T-shirts, may be providing electric power. **END**



ILLUSTRATION: MICHAEL D. BROWN







# Franklin A. Lindsay of Itek

## An adventurous past and a venturesome present

Franklin A. Lindsay, the lanky president of Itek Corp., doesn't strike you as the secret agent type.

Yet the calm and reserved Mr. Lindsay is a veteran of the Central Intelligence Agency and of its predecessor, the Office of Strategic Services—a man who volunteered to parachute behind German lines in World War II and lead a daring mission to block a key railroad, and who was pursued for seven months through the Alps in Austria and Yugoslavia by Nazi troops.

At the end of World War II, by virtue of his OSS experience, Lt. Col. Lindsay was one of a handful of Americans who not only were versed in guerilla warfare but also had firsthand knowledge about dealing eyeball-to-eyeball with communist groups.

Conceivably, if he had agreed more with the operational philosophy of the CIA in the Cold War, Mr. Lindsay today might be a high CIA official.

But he quit government service in 1953 because he didn't agree with some CIA policies and because "I had been involved in international affairs for so damned long I wanted to find out what was going on in the United States."

He has been president and chief executive officer of Itek since 1961. A high technology company with home offices in Lexington, Mass., the firm makes precision aerial cameras for the Defense Department and space programs, airborne electronic countermeasure devices for the military, and graphic and optical products for the consumer market.

The Stanford-educated industrial engineer (Phi Beta Kappa), who was born in Kenton, Ohio, and grew up in Pasadena, Calif., came to his present job by a route that included the Ford Foundation and the management firm of McKinsey & Co.

He has adroitly sandwiched in high-level Washington service with his corporate duties. His extracurricular activities are more than ample for a platoon of energetic executives.

In addition to getting away from his corporate labors by doing yard work, sailing off the coast of Maine—where he has a summer home—and reading whodunits or solving crossword puzzles, Mr. Lindsay "relaxes" of an evening with a variety of intellectual challenges.

It might be doing a study or writing a paper on atomic energy, state government problems, federal govern-

ment reorganization, national security policy, disarmament, foreign trade, economic development or politics.

The 58-year-old executive lives in a home of his own design, which overlooks a large tranquil pond near Lincoln, Mass., not far from the road where Minutemen harried the British Redcoats as they retreated from Concord in 1775.

Frank Lindsay, as befits the head of a high technology firm, is precision-oriented. His wife, the former Margot Coffin, says he is the most meticulous tree-trimmer around.

"He'll cut a limb and then stand back and contemplate his next move for a long time," she says. "He's very deliberate; he doesn't want to disturb the natural surroundings too much."

His concern for natural surroundings is evidenced at his corporate headquarters, which has been deftly inserted into a grove of trees. Visitors often miss it and wind up in the optics division building, an area under tight security rules where a lot of the kind of work that launched the firm still goes on.

Itek is a result of technology spawned by the Cold War. In 1957,



## Franklin A. Lindsay *continued*

Boston University had reached a point where it wanted to disengage its Physical Research Laboratories from highly classified work they were doing for the Air Force. With Defense Department approval, Itek was formed and university employees became employees of the company, which leased the same buildings and other facilities from the university and started business with a \$2 million backlog of government work.

Within little more than a decade, Itek has successfully been transformed from a corporation totally dependent on government business to one that derives nearly two thirds of its sales from commercial markets. Today it is one of the nation's largest manufacturers and distributors of products and services for the correction and protection of human vision.

In his office in the Lexington headquarters building, Mr. Lindsay recently talked about his career with a *NATION'S BUSINESS* editor.

*With so many outside interests, how do you find time to do everything?*

I don't. I have to discipline myself to cut off things I would like to do. I just recognize that I don't have the time.

For relaxation, I sail and work in the yard, but I get more relaxation out of some of the public studies that I have been involved with. To me that's stimulating and I like it. That's where I get my fun.

*What sort of public studies? Any for the present Administration?*

I was a member of a task force on problems of transition from one Administration to another when the incoming President represents a different party than the incumbent. The task force actually started operations some two years before the 1968 election at the Institute of Politics at Harvard. There were four of us: Phil Areeda of the Harvard Law School; Ernest May, the Harvard historian; Henry Kissinger, then of Harvard; and myself. We looked at transitions from one Administration to another in the past.

I think we met two or three evenings a month, and we brought in everybody we could find who would come up and spend an evening with

us—people like Robert Lovett, the former Secretary of Defense, and Gen. Andrew Goodpaster, who is now supreme commander of the NATO forces.

When we started the study, we didn't know who our client would be—client in the sense of who was going to read it.

*Did the study prove useful?*

We gave the product to Richard Nixon, who told us it was extremely useful to him.

I think there were four long memoranda that spelled out what happens when a new President is elected. The next morning he wakes up and says, "What the hell do I do now?" He's been running so hard to get elected that neither he nor his staff have had time to think. So our study essentially said:

Here is what has been learned from previous transitions—the do's and don'ts.

*When did your first involvement in Washington affairs take place?*

In 1940. I was at Stanford, in the Graduate School of Business, but when France fell I decided that U.S. involvement in the war was coming so I asked for active duty. I had a reserve commission from the Army ROTC program.

I was assigned to the industrial mobilization section of the Ordnance Corps in Washington. That was long before the War Production Board was started, just at the beginning of our first military expansion. There were only a few of us so I got experience in industrial mobilization planning far beyond my years and qualifications.

*How long were you in Washington?*

Until shortly after Pearl Harbor. Then I went to Iran. The Germans were pushing the Russians back into the Caucasus, so there was a frantic effort to establish a supply line. My job was to set up a truck assembly plant in the desert. Once we got the trucks assembled, we loaded them with ammunition, food and so forth and drove them north to the Russians.

By late 1943 we had everything running smoothly and the danger

had gone away. So they started to build up a bureaucracy. The higher ranks flooded in. We soon had some 30,000 Americans there—far more than needed.

So I wrangled a transfer to Cairo where I met some officers in the OSS who were just getting ready to move into the Balkans to operate with the Yugoslav Partisans. I sort of thought about this for a bit and asked myself if I really would jump out of an airplane. Finally, I decided I would, and asked to join the OSS. They were willing to take me.

*What were your qualifications for such a mission?*

I was probably the least qualified fellow they could have picked. I had never jumped and couldn't speak any of the Slavic languages. I guess they let me come along because I was an engineer.

We were to cut a vital railroad. There were two double-track lines leading down from Austria to the Balkans. One was through the Brenner Pass, the other, called the Sudbahn or South Railway, was east of there and went through the Carinthian Alps. This line—my target—branched when it got through the mountains, with one branch going to Trieste and the other going due south into the Balkans.

The idea was to take some of the pressure off the Allied forces during the planned breakout from the Anzio beachhead by cutting these rail lines at key points. I was to join up with Slovene Partisans to get the job done. If successful, the mission would hamper German resupply efforts.

*How were you going to accomplish this?*

I had two alternatives. One was to drop in Slovenia to a waiting reception party, the other was to make what was called a blind drop directly on the Austrian border. I took the first alternative. This was in April, 1944, as I recall.

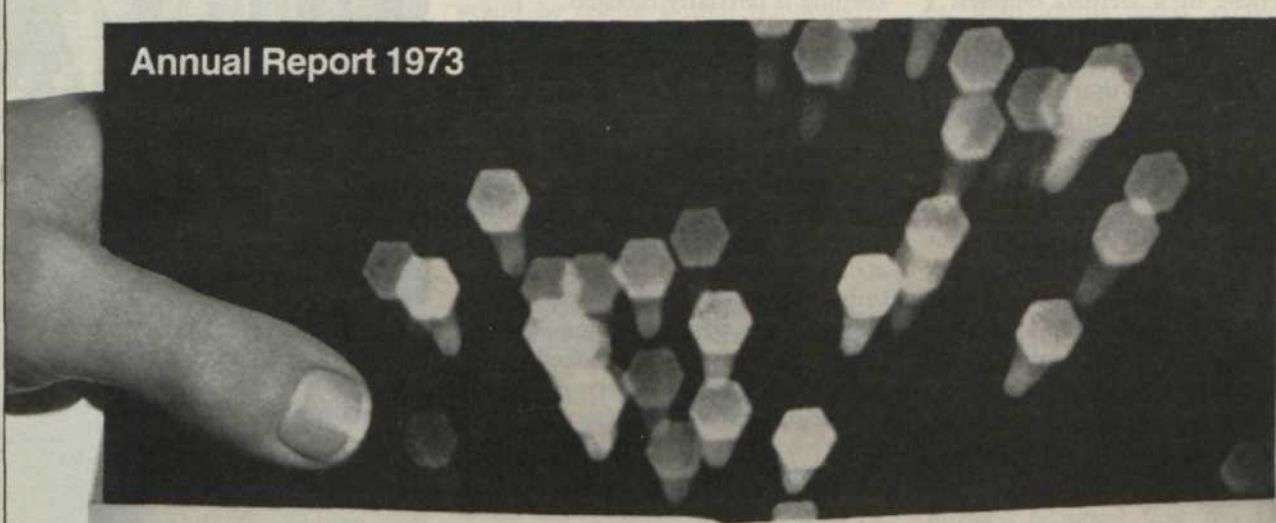
*How did the jump go?*

Well, I made two flights in C-47s that proved to be dry runs. On the first try the navigator found the jump spot, or so he thought, but a guy on the ground with a flashlight gave the



# We're taking the wraps off 1980 with our 1973 Annual Report.

## Annual Report 1973



In the year 1973 we instituted Project 80—our new plan to more than double our present volume over the balance of this decade.

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In 1973 our company prepared for the future with a record \$852 million investment in new plants and facilities worldwide, as well as with research, development and engineering programs which reached \$400 million, a portion funded by customers.

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More importantly, 1973 was the 14th consecutive year in which we reached record levels in sales, income, and earnings per share before extraordinary items.

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of \$8.6 billion. This does not include insurance premiums earned and finance income of \$2.6 billion, an increase of 16 percent over 1972.

Consolidated income, before extraordinary items, was a record \$521 million, a gain of 9 percent over 1972 income, before extraordinary items, of \$477 million.

This was equal to \$4.17 per common and common equivalent share, an increase of 10 percent over 1972 per share earnings of \$3.79, before extraordinary gains of \$6.5 million and \$6.7 million in 1973 and 1972 respectively.

On balance, 1973 was a year in which there were record accomplishments and actions in virtually all our business areas which give us a head start toward our dual Project 80 goals: business growth and greater service to people throughout the world.

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**The best ideas are the ideas that help people. ITT**



## Franklin A. Lindsay *continued*

wrong reply signal. A few nights later we tried again, but there was fog in the jump zone.

The third time they were going to fly me over in a British bomber. I complained to the Royal Air Force crew chief that I hoped I got in that night. He said, "Oh, don't you worry, sir. This pilot never brings anybody back."

*You made it this time?*

And in the right place. Then our group spent about a month getting across the Austrian frontier. How many times I wished I had stayed in that bomber another 20 minutes! It was rough getting across. . . . You don't want to hear the rest of this. I'll go on forever.

*You can't stop now.*

Well, I'll keep it short. We got across the border and worked our way to where the railroad crossed a valley over a multiple-arch, stone viaduct. A supply of high explosives was dropped to us on top of a mountain by three aircraft. The next night we went down to load the holes.

The Germans had a 300-man garrison less than a kilometer away from the viaduct. We expected there would be a lot of guards and sent a patrol ahead to take care of them, but for some strange reason there weren't any guards on the viaduct. They were all in their barracks down in the valley.

We worked for three hours planting plastic explosives at the base of two of the viaduct's columns, set the fuse and got out of there.

When the explosives blew it made the most God-awful echo in that pass. This was about two o'clock in the morning.

*Did you get the viaduct?*

We weren't sure, so we took the remaining 500 pounds of plastic and went back. We found we hadn't knocked it down, although we had blown some big holes in it. Unexplainably, the Germans still hadn't posted guards. So we took another 30 minutes reloading and blew it again.

*And that closed the Sudbahn?*

Completely. We then blew rocks

down and the end result was that we closed that double-track line for six weeks. And then, for seven months, we kept going back and working on keeping it partially blocked.

*Were you being hunted all this time?*

Constantly—we were inside the Third Reich. To make matters worse, while we were feeling so pleased with ourselves that night for having accomplished our mission, an unexpected force of Germans was starting up the mountains after us. A troop train had been scheduled to go through the pass in three or four hours and now it was blocked. Since the soldiers were otherwise unemployed they were sent after us.

*Close calls?*

Many. The Germans set a lot of ambushes, but most of the local people were friendly to us and would warn us. One way I'll always remember is that they would light candles in the little wayside chapels in the mountains to tell us there weren't any Germans around.

*You maintained contact with the Allies by radio?*

Right. It was by radio that I got a message from Allen Dulles [then running an OSS spy operation from Switzerland] that the commander of the German headquarters in Zagreb wanted to surrender—but not to the Partisans—and that I was to go down and arrange it. This was in the fall of 1944. I sent back one of the rudest messages imaginable. The idea that an army group commander would surrender to me was, I thought, utterly mad.

But I started down with a party and when we got outside Zagreb I sent a man in and he came back with word that the Gestapo had executed the German commander a month before. So Allen wasn't as wrong as I thought he was when he sent his message. I stayed with the Croatian Partisans for about a month and then came out over the mountains into Dalmatia, where I was picked up and taken to Italy. After three or four days I went back.

*You went back into Yugoslavia right away?*



Frank Lindsay personally designed his modernistic home, which is built of unpainted cement blocks. Beside him in the living room is his wife, Margot. Kip, eldest of three Lindsay children, is in the background.

Right back. Belgrade had been liberated by the Russians and the combat line had stabilized about 50 miles north of there. Marshal Tito [now President of Yugoslavia] and all the rest of the Partisans came into Belgrade and I went there as head of the U.S. military mission.

*What was your impression of Tito?*

I was tremendously impressed with him as a tough, very broad-gauged man who could be very gracious if he wanted to be. He could have moved comfortably in any capital. He was polished and had a quiet confidence. I think this confidence gave him the guts to break with Stalin. He ran a terrible risk doing that.

*When the war in Europe ended did*



*you then come home to the States?*

No, first I went to Trieste as a political adviser. That was quite a mess.

The Yugoslavs tried to take the city and I spent my time alternating between Belgrade and Trieste until things settled down. Then I went to London where I was attached to the U.S. delegation to the First Council of Foreign Ministers in London. When the Council sessions broke up in November, 1946, I came back and was relieved from active duty as a lieutenant colonel.

*What were your plans when you were separated from the Army?*

I went to Harvard to study economics on the GI Bill. After I had been there about six months, Bernard Baruch offered me a job as his executive assistant—he headed the U.S. delegation to the United Nations Atomic Energy Commission. Baruch was looking for people who had had experience in negotiating with the Russians and somebody said, "Hey, you ought to talk to Frank Lindsay." I thought the job was too attractive an assignment to turn down, so I took it.

*The following year—1947—you were named a member of the U.S. delegation to the UN Disarmament Commission.*

The economic problems in Europe were really tough, you recall, and I had begun to do some work on my own to try to stimulate interest in a major funding program. This was about the time Gen. George Marshall made the speech at Harvard that led to the creation of the Marshall Plan. Rep. Christian Herter [later Governor of Massachusetts and, following that, Secretary of State] organized a select committee and I went to work on the staff for several months, until the legislation passed.

Then, with two other fellows, I opened the Paris office of the Marshall Plan before Averell Harriman arrived to head it up.

*In a little more than a year you were back in Washington. How come?*

It's hard now for people to remember the psychological attitudes that existed in the Stalin period. There

were real fears that there could be war with the Soviet Union within six months.

The U.S. was concerned with trying to build an organization that would be useful if that happened—a Central Intelligence Agency. Frank Wisner, whom I had known in the OSS, although he was assigned to the State Department, was then one of the principal people who was organizing the CIA. He requested me. But I hadn't planned to leave Paris and I talked to Averell Harriman about it.

He pointed out that I was one of the few people who had any degree of experience with communist resistance movements. "I think you'd better go do it," he said.

*You were in on the ground floor in organizing the CIA, yet you left government service in 1953. Why?*

There were several factors. In 1951 Allen Dulles became deputy director of the CIA. He believed it would be possible to organize significant resistance to the communist regimes in Eastern Europe. But I had begun to be increasingly doubtful of that.

I had made a tour pretty much of the various places in the world where we had stations, talked to lots of people, and confirmed my opinion. I was unsuccessful in convincing Allen. He was named CIA director in February, 1953.

Another factor was that I realized I was getting to a point in government where I ought to have the confidence that I could quit if I disagreed with government policy. I think anybody who reaches a policy level ought to have that personal confidence.

Also, I had been involved in international affairs for so damned long I wanted to find out what was going on in the United States.

About that time, Rowan Gaither, president of the Ford Foundation, said, "Why don't you come to the Ford Foundation?" and so I left the government.

*You came to Itek eight years later. Had you had any previous involvement with the kind of products the firm manufactured, and their use?*

Well, as I mentioned before, there

was a difference of philosophy between Allen Dulles and me while I was in the CIA. I thought we should turn to high technology to protect ourselves from the communists rather than doing such conventional things as organizing resistance.

I asked Allen if I could set up a small technical group to look at aerial reconnaissance and so forth. He agreed and we brought in some people from M.I.T. and other places. But I can't say any more.

*What brought you to Itek?*

In 1955, while with the Ford Foundation, I became a consultant to Nelson Rockefeller, then a special assistant to the President. I worked with Teddy Walkowicz, a Rockefeller family associate, on the "Open Skies" concept, which was President Eisenhower's proposal that the U.S. and Russia allow continuous aerial surveillance of each other's military activities.

The next year I joined McKinsey & Co. as a principal. I suspect I was regarded as a maverick there. I tended to get the jobs that didn't fit a nice, orderly slot—which I liked because these jobs were the most interesting.

Then, one day in 1961, Teddy, who was on the board of directors of Itek representing Laurance Rockefeller, asked me to come to the company to be sort of a stand-in for the president, who was ill. And the company was in trouble at the time. In about six months I was named president.

*What were the major problems plaguing the company?*

The usual—people and money. The company was essentially out of financial control.

This past year, our sales were \$204.5 million and, despite a poor fourth quarter, our profit was \$3.7 million. In 1972, we had a profit of \$5.2 million on sales of \$189 million. But in 1961, sales were \$37 million and the company suffered a net loss of \$1.9 million.

*What actions did you take?*

Well, first I had to gain the confidence of the people. I did that by spending a lot of time talking to





PHOTO: YOICHI R. OKAMOTO

*Itek's optical manufacturing facility makes lenses and other parts for such exotic instruments as space cameras and satellite-borne telescopes. Here, Mr. Lindsay visually checks a large optical mirror's curvature. The final, precise check is done with two laser beams.*

them. Then we put in new managers, some from within and some from the outside.

One of the things we did internally was to make the controllers in the divisions responsible to both the division managers and the corporate controller. That has worked very well ever since, but it took some doing. Some people were violently opposed to the idea.

Another thing we did was to adopt a general rule that in this company information flows freely and nobody stops it from flowing. Decisions are made by the managers, but if there is bad news we want to know it immediately.

And we set up two sets of objectives.

#### *Two sets?*

Yes. One set was financial—an annual program. The other was a series of nonfinancial objectives that might be lost sight of if all the pressure was on year-to-year financial performance. For example, strengthening a marketing force might have a negative profit impact during the next year, but it would be building for the future.

So we told our managers they were going to be measured by both financial performance for the year and achievement of nonfinancial objec-

tives—which by and large were building the corporation for the future.

#### *How did it go?*

Slowly, initially. The first job was to achieve profitability, to get the company on an even keel so it could survive. In this fight for survival our line of sight forward was no more than the next week. And then it became a month, then a year. As things stabilized and became better, we began to look further and further ahead and into new areas.

#### *What is Itek's future goal with regard to product lines?*

We're now really going through the process of building four major divisions—graphics, ophthalmics, electronics and optics. We have moved from essentially 100 per cent government work to where government work now constitutes about one third of our business.

Government work is important to us and we want to stay in it because it's important to the security of the country. We feel we have made one hell of a contribution to the peace of the world and have an obligation to maintain our optical and electronic capability.

But we don't want to be entirely government-oriented. We don't be-

lieve that's good for the government or for us. Commercial business gives us more independence and stability.

#### *What are the most exciting new developments at Itek now?*

Our Central Research Laboratory is at work on several interesting projects. One involves electro-optical devices that someday may be the heart of equipment that will process information optically. We also are doing research work on new photographic systems, in electrostatic technology, and on new vision care products.

#### *Does Itek have any ideas on how to solve the energy crisis?*

A number of our technologies relate to several different kinds of work going on in the energy field. We are doing basic research in some of these areas—one is optics that might be employed in laser fusion applications, and another is direct conversion of solar energy into electricity through the use of photoconductors. We also have a feasibility study under way for development of a high-temperature solar collector.

#### *Any thoughts of returning to government?*

I've pretty well shelved any. I guess I had two or three opportunities over the years to go back, but I think what we can do here at Itek is equally important. And the groups I'm involved with, such as the Committee for Economic Development, give me the opportunity to work on many interesting projects.

#### *Looking back over your career, is there anything, given a chance, that you would change?*

Not anything really important, I don't think. I know one thing—I wouldn't have missed any of it for the world. END

REPRINTS of "Lessons of Leadership: Part CIX—Franklin A. Lindsay of Itek" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.



## Pointing Toward Budget Reform

• Thank you for the fine article, "At Last, Congress Moves Toward Budget Reform" [April].

When NATION'S BUSINESS published my article, "A Plan to Make Federal Budgeting Make Sense" [December, 1972], few members of Congress gave budget reform a chance in the 93rd Congress. I am happy to report that all five major points made in my article have been adopted by the Senate in its version of the budget reform bill.

Businessmen throughout the United States rallied around these five points and gave their support to them.

A heartfelt thank-you is deserved by NATION'S BUSINESS and its readership.

SEN. WILLIAM E. BROCK (R.-TENN.)  
U.S. Senate  
Washington, D.C.

### Shelter from the blizzard

• It was with much interest that I recently noted your article by James J. Kilpatrick entitled "The Paperwork Blizzard" [April].

I have sponsored the Federal Paperwork Burden Relief Act (H.R. 12181), which directs the General Accounting Office to study reporting requirements and recommend to Congress how they may be revised, either by administrative or legislative action.

The way the bill is written in no way seeks to diminish the general need for reporting requirements, per se. It does, however, seek to determine how the burden may be lessened and much of the duplication eliminated. The measure has been cosponsored by 162 of my House colleagues.

Hopefully, the Federal Paperwork Burden Relief Act will spur interest and action in the House on this problem.

REP. GUS YATRON (D.-PA.)  
U.S. House of Representatives  
Washington, D.C.

• "The Paperwork Blizzard" really hit home—hard.

There seems to be no end to the flood of forms we are required to return, usually along with a fee of one kind or another.

The worst area of this problem, in my opinion, is the total lack of assistance available from the same governmental agencies that demand we furnish them with the particular forms in question, which purportedly are designed to "protect" us.

TRYGVE F. JOHNSTON  
President  
Airfreight Expeditors, Inc.  
Portland, Oregon

• Mr. Kilpatrick has put the spotlight on perhaps the biggest problem facing not only the businessman, but every citizen—Big Government.

While he dwelled on the collection of statistical data, I would like to put a little more emphasis on the man-hours necessary to comply with the flood of new regulations affecting the operation of our "free enterprise" system. I refer to the Truth in Lending and Occupational Safety and Health laws and to countless numbers of specialized regulations that apply to the tire industry, petroleum industry, etc. The motives behind all these controls are probably well-meaning, but the bureaucrats who operate the agencies charged with implementing new programs must justify their continued existence—hence, relentless harassment.

Unfortunately, I can offer no magic solution to this problem, but following the advice of Mr. Kilpatrick that businessmen arouse their Congressmen to the worsening situation should be a useful first step.

WILLIAM T. ROYSTER  
Assistant General Manager  
S.W. Davis, Inc.  
Franklin, Va.

### An OSHA side effect

• "Coping With a Shortage Economy" [March] didn't go far enough in explaining some of the causes of the shortages.

I am referring particularly to the impact that the Occupational Safety and Health Act has had. From what I observe, in a year OSHA has put many manufacturers out of certain lines, or out of business. That might well now be causing shortages.

D. DAVID SMITH  
Executive Vice President  
Greater Stockton Chamber of Commerce  
Stockton, Calif.

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# PAYROLLS:

## An Answer to the Indian Militants

A free enterprise program is raising living standards on the reservations

By Marvin L. Franklin, Assistant to the Secretary of the Interior for Indian Affairs

Out in the heart of the sprawling Navajo Indian reservation in eastern Arizona is a huge sawmill. From the reservation forests of stately ponderosa pine, trucks haul enormous logs to the mill, where roaring band saws slice them into lumber—about 350,000 board feet a day.

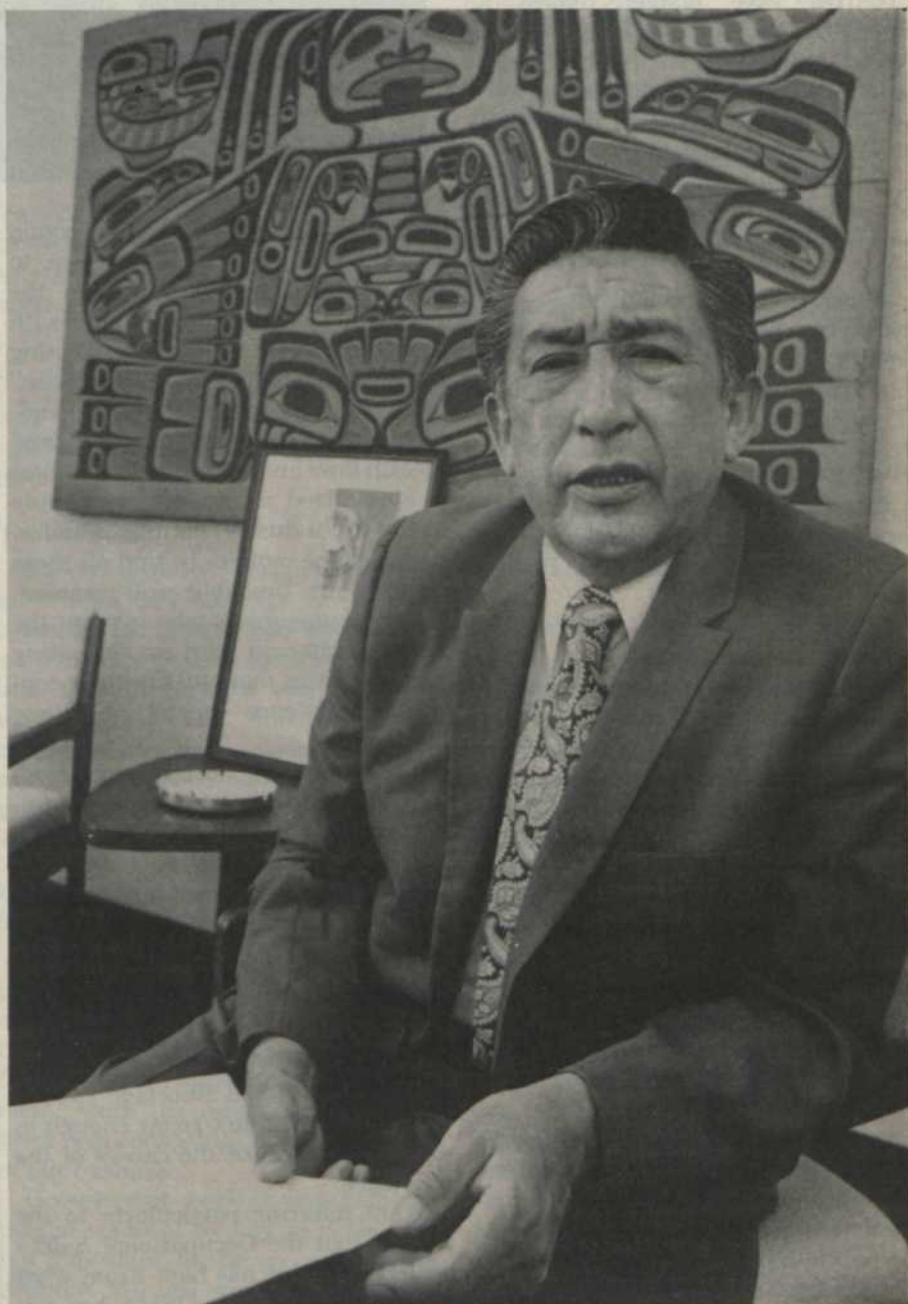
The sawmill is wholly owned by the Navajo Tribe, and is operated by Navajo Forest Products Industries, organized in 1958. About 400 members of the tribe are employed in the operation, with an annual payroll of around \$3 million. The trees are "harvested" to ensure an unflinching supply of logs for the future.

"Forty years ago I was living in a hogan trying to raise sheep, when the government came out and killed our sheep to make prosperity," a grizzled Navajo logger relates, recalling a New Deal effort to bolster Depression farm prices by reducing production. He adds, with a grin: "This is a better way!"

At Stilwell, Okla., Cherokee Nation Industries makes electrical switches and relays for Western Electric Co. Western Electric loaned the Indians a company manager, who selected the first employees and put them through job training. The enterprise, entirely owned by the Cherokees, started with eight workers and now has 192.

Recently, Cherokee Nation Industries completed a second plant, at

MR. FRANKLIN, a former chairman of the Iowa Indian tribal council, was a Phillips Petroleum Co. executive from 1947 until he assumed his present post, as the federal government's top adviser for Indian affairs, last year. In 1971, he received the Public Service Award for Conservation of Human Resources in recognition of work in creating economic opportunities for Indians.



Barney Old Coyote, a Crow, is president of the new American Indian National Bank in Washington, D.C. Owned and operated entirely by Indians, with a primary aim of assisting Indian communities to establish a strong economic base, it has as officers and board members representatives of the Cherokee, Creek, Choctaw, Rosebud Sioux and Oglala Sioux tribes, among others.



Talequah, Okla. It produces calculators for the Corvus Corp., of Dallas, Texas, and assembles components for IBM. Leo Walkingstick, general manager of Cherokee Nation Industries, notes happily that its contracts with Corvus call for production of 1,500 desk model and 4,000 hand model calculators weekly.

These are typical examples of how a program of bringing industrial plants to Indian communities is creating jobs and lifting standards of living for the "original Americans."

The Indian industrial program has enlisted the hearty support of American businessmen, who believe that employment under free enterprise is better than paternalistic handouts.

I also find that it is the best possible answer to the militant Indians who seized the Bureau of Indian Affairs building in Washington and did such senseless damage to facilities, equipment and records in November, 1972; and who later seized the community of Wounded Knee on the Sioux Reservation in South Dakota with destruction of homes, a church and other buildings.

### Training and loans

The industrial program began in 1953, when Glenn L. Emmons, a Gallup, N. Mex., banker, became Indian commissioner. It was obvious to Mr. Emmons and his associates that the biggest difficulty in such a program was the Indians' lack of training for skilled trades. To remedy this situation, Congress in 1956 passed legislation authorizing the Bureau of Indian Affairs to give Indians, chiefly between the ages of 18 and 25, vocational and apprenticeship instruction, with special provision for on-the-job training.

Loans to tribes, to be used to build industrial plants, also were authorized. In 1957, a Branch of Indus-

PHOTO: DICK COBB—BLACK STAR



PHOTO: SHEL HERSHORN—BLACK STAR



Alfred Nieto, a Zuni, is one of an all-Indian work force at the Electro-Assemblies, Inc., plant at Zuni, N. Mex. He's testing sophisticated equipment on the booming plant's assembly line.

At Stilwell, in the heart of Oklahoma's Indian country, Cherokee Nation Industries runs an electronics plant. Here, in jobs very different from those traditional to the five "civilized tribes" forced to settle in the area in the 1800s, Shirley Gonzales (left) and Betty Wright work.

trial Development was established in the Bureau of Indian Affairs, to help sell American businessmen the idea of hiring Indian workers. The program has had the enthusiastic support of every Administration, of Congress and of Indian Bureau officials, since it began.

My experience in my native Oklahoma convinced me that bringing industrial plants to the reservation areas is the best solution to the problem of Indian unemployment. In the early 1960s, I was made director of "cooperative projects" for Phillips Petroleum Co., my employer for many years. My task was to work with federal and state governments, and with businessmen, to create jobs for disadvantaged people, especially Indians.

I began to encourage the organization of Indian companies and their employment of Indian workers, all within the framework of the free enterprise system. In the years that followed, I assisted at the beginning of about 75 companies, some with as few as five employees and some with



## An Answer to the Indian Militants *continued*

500 or more. By and large, these companies have proved successful, with profitable distribution and sale of their products.

A similar success story is being written by the Bureau of Indian Affairs.

As of this point, a total of 250 companies have taken advantage of the BIA industrialization program to establish plants in Indian communities. In addition, during the last five years, more than a hundred major commercial projects, Indian owned and managed, have been set up. Combined annual payrolls have grown to about \$35 million, with a potential employment capacity of more than 15,000 jobs.

A good example of the program's success can be found among the Choctaw Indians of Mississippi. In the 1830s, President Andrew Jackson decided upon a harsh policy—to compel the transfer of the major tribes living east of the Mississippi River to an area set aside as the "Indian Territory." It was west of the

Louisiana Purchase, "where the white man will never want to live," said the President. He ordered soldiers to round up the Choctaws, along with the Creeks of Alabama and Florida, the Cherokees of North Carolina, the Seminoles of Georgia and the Chickasaws of Tennessee, and the long "trail of tears" began for these so-called "civilized tribes."

About half of the 2,500 Choctaws refused to be rounded up. They simply fled to the woods and the marshes, and there they stayed. Today, descendants of these hardy people live on farms and in villages near Philadelphia, Miss. Many of their families have been living in poverty for generations, trying to scratch out a living as sharecroppers.

Now that is changing. In March, 1967, through the joint efforts of the local Indian Bureau agency and Emmett York, Choctaw tribal chief, the Garan Co., of New York, established a plant in Philadelphia to manufacture boys' wear. It agreed to employ Indian workmen.

"Given proper training, these Choctaws make as proficient operators as any in the land," says Claud Kuykendall, plant superintendent.

### Working women

Go out to the broad tableland near Shiprock, N. Mex., on the Navajo reservation, and you'll find a big plant of the Fairchild Camera and Instrument Co., of Syosett, N.Y. Here about 800 Navajos, 80 per cent of them women, assemble transistors and integrated circuits essential to the functioning of radio and television sets, computers, and electronic devices in planes, missiles and spacecraft. The firm's building, equipped with every modern convenience, covers 33,600 square feet, and cost \$1.2 million, paid for by the Navajo Tribe with a big low-interest loan from the Economic Development Administration. Fairchild has approximately \$1.8 million invested in machinery and equipment.

The workers peer through microscopes, performing such exacting

## COCHISE'S GREAT-GRANDSON: TRIUMPHS IN TWO WORLDS

Some Indians toss off Sam Kinsolving as a *bellacana*, which is an Indian lingua franca equivalent of the black activists' "Uncle Tom." The word literally means apple, and militants use it for fellow Indians who accept and thrive in the white man's world. Its broad meaning is: "Red on the outside, white on the inside."

But Sam is something else.

True, he is a success in the white man's world. He is a planner,



Sam Kinsolving is an Apache with a mission: To get Indian workers.

and recruiter of Indian employees, for the Ingalls Shipbuilding division of Litton Industries, in Pascagoula, Miss. Ingalls is carrying out two sizable U.S. Navy contracts there, for 30 destroyers of the Spruance class and for five general purpose amphibious assault craft.

But above all, he is an Apache. Sam, 42, is a great-grandson of the famous chieftain, Cochise, and intensely proud of it. And he believes that traits which spell success in the white man's world belong to the Indian's world, too.

No easy task, this undertaking of Sam Kinsolving in recruiting. He has so far talked with men of 47 tribes west of the Mississippi about accepting employment in the Pascagoula area, especially with Ingalls.

The result? The U.S. Bureau of Indian Affairs reports a "rapid influx" of Indians to Pascagoula in the last two years, with more than 600 now working in the area, most of them for Ingalls.

From the beginning of the recruiting effort, which was spurred by Ingalls' need for good workers as well as by a desire to make a contribution to Indian welfare, Sam knew the scrutiny he would get from all sides would put a microscope to shame.

After all, he has a white man's surname. It comes from his moth-



tasks as soldering wires smaller than human hair.

"Not more than 5 per cent of our employees ever had a steady job before," says Paul W. Driscoll, plant manager. "Yet our Indian people have unmatched skill and patience."

On the Seminole Indian reservation near Hollywood, Fla., an electronic-connector plant, leased by the tribe to the Amphenol industrial division of Bunker-Ramo Corp., of Chicago, employs 18 members of the tribe. These Seminoles are descendants of Indians who, under the famed Chief Osceola, fled from U.S. Army troops in the 1830s. They only recently made "peace" with the government by cooperating in Bureau programs, including industrial development. One Seminole declares:

"Some so-called 'friends of Indians' wanted us to keep making little Indian curios to sell to tourists, so we wouldn't lose our native culture. But now our workers earn many times what they did in that sort of thing!"

Underwear, hosiery, pants and many more items of clothing are manufactured by established companies branching into the Indian communities. Western Superior Mills, a division of the BVD Co., of New York, operates a plant near Winslow, Ariz., making, packaging and distributing men's and boys' underwear. The plant was built by the Hopi Tribe at a cost of \$1.5 million on a 200-acre site donated by citizens of Winslow. The building covers 120,000 square feet, making it the largest in northern Arizona.

Indians of both the Hopi and Navajo Tribes, traditional rivals, work side by side at the machines. The women earn from \$2 to \$3.30 an hour. The plant manager, Della Pecore, who refers to herself as a "refugee from the Seventh Ave. New York garment district," says: "The Navajo and Hopi are not rivals in this plant, because they're all making a good living!"

Among many other long-established firms migrating by branch

plant to Indian country is The Harry Winston Minerals Co., of New York. This firm located a plant near Chandler, Ariz., and employs a score of Gila River Indians cutting and polishing diamonds.

Many of the workers have had long experience fashioning native stone jewelry.

### Furniture in the forefront

Furniture making is now in the forefront of new jobs for Indian families. In early 1966 a survey disclosed that of 772 male Yakima Tribe members, at Wapato, Wash., only about 100 had anything like regular jobs, and 62 of these were common laborers. Aided by federal loans, the Yakima tribal council built a \$772,000 plant for White Swan Industries, Los Angeles furniture manufacturers. Today this company employs 200 Indians, and pays the tribe a monthly rental of \$6,500.

Members of the Warm Springs Tribe in Oregon entered the jet age in 1969 when the Tektronix Co., of

er's side of the family (she is white; her father was an Episcopal bishop in Arizona). Sam's father adopted it—Apaches traditionally had no surnames—to avoid modern-day legal problems.

Apaches are an extremely proud tribe, and unless one can prove he's at least half Apache, they put him beyond the pale in contrast to, say, the Cherokees, who will accept as Indian a person claiming only one sixteenth Indian blood. But Sam is inside the pale. On his father's side, he is all Apache.

How does Sam go about recruiting?

"When I go in the reservations," he says, "the first thing I have to do is get the 'moccasin telegraph' working. It's one of the most efficient communications systems in the world. Word gets around that I'm there, and that I'll be in certain places. First one, and then more, drop in on me and we talk.

"They ask all kinds of questions. Whether we have an Indian center in Pascagoula—and we do. Wheth-

er other Indians find it agreeable, not only the work, but living so far away from home grounds. What kind of schools for their kids, and how do other kids accept Indian children? That last one is easy, as Indian youngsters are not racially conscious—they play easily with blacks, whites, Mexicans, Chinese—and by doing so they often set the good example."

The Indian center is a place where Indians can gather, sing their old songs, have the trappings of their special cultures. "It's sort of an oxygen source," as Sam appraises it, "where they can go to be replenished. It gives them a comforting whiff of the reservation."

Sam also tells potential recruits about other benefits—relocation allowances which they get from BIA, and money BIA provides for them to buy tools they need.

"Mostly, though," he says, "I emphasize that we want people with honesty, resolve, pride, courage, responsibility to themselves and their families. These are tradi-

tional Indian values, tightly bound in their culture. I tell them that exhibiting these characteristics is a way to prove that the white man didn't invent them."

The biggest bloc of Indian workmen at Ingalls are welders—more than 30 as Sam totals them up. The others range from shipfitters and carpenters to mechanics, junior draftsmen, production managers and planners, he says—"a rather good cross section of what we have to have here to build ships."

Ingalls President Ned Marandino is a hard-driving executive who focuses on production schedules and is far from the type who would take kindly to employees who didn't pull their weight.

He is one of Sam Kinsolving's champions.

"I couldn't do it without that feeling at the top," Sam says, "because if the Indians ever thought for one minute they were not respected employees, the whole program would fall flat and they would vanish back into the reservations from which they came."



## An Answer to the Indian Militants *continued*

Beaverton, Oregon, set up a plant on their reservation. About 40 Indians are employed, assembling oscilloscopes—highly sophisticated instruments that plot electrical graphs.

Millions of dollars of annual income flow into Indian communities through development of resources on the reservations, such as the majestic stands of timber, and deposits of coal, oil, gas, copper and uranium—buried treasures of the ages. Timber and wood products lead this type of industrial development.

Among many other new industries in Indian areas are:

A meat-packing plant established at Yankton, S. Dak., by the Yankton Sioux Industries, which processes carcasses from nearby cattle feeders; the Lummi Aquaculture Co., located on the Lummi Reservation near Bellingham, Wash., which raises fish to market size; Great Western Industries at Browning, Mont., which makes pens, pencils and felt markers, primarily for sale to government agencies, and which employs 83 Indians out of 89 workers; and for the Chickasaw Tribe of Oklahoma, creation of a modern recreation area which includes a motel at Sulphur, Okla.

Essential to the success of the plan for Indian employment has been establishment of industrial parks on or near reservations, to attract new plants. An outstanding example is the Pima-Chandler Industrial Park in the Gila River Indian community near Coolidge, Ariz. It covers 543 acres developed with good roads, water mains, power lines and sewerage. A Southern Pacific Railroad spur runs through the park.

Since December, 1968, five plants have located in this area, in which as many as 70 per cent of the Indian workers had been unemployed. The plants' products include metal shipping containers, brass valves for marine use, and spider-thin wire for the electronics industry. About 800 formerly unemployed Pima and Maricopa Indians work in these plants.

Every industry's arrival at an Indian reservation signals the development of numerous other new jobs. Families must have housing, furniture, food, utilities and many other items for daily living. Employment

creates its own chain reaction of prosperity.

The industrial employment program has spurred the biggest home-building boom in Indian history. While the plants are usually located near good highways, and some Indian workmen commute in car pools, many families—once on steady payrolls near a town with modern facilities—decide to move to town.

Apartment houses and other housing projects dot the industrial parks and local residential areas, as Indian families begin to enjoy the conveniences of modern living.

### Teamwork provides work

Locating plants for Indian employment is a team project for federal and state agencies, business firms and the Indians themselves. Tribal councils on every reservation have been consulted about their resources and potential labor supplies. Indian Bureau officials, cooperating with commissions for Indian employment in every state with a large Indian population, advise firms as to available sites for buildings, and supplies of water, gas, power and fuel. They furnish information on motor, rail and air carriers to provide marketing access.

The usual procedure calls for the Indian tribe to erect the building for the plant according to specifications of the firm that agrees to lease it. Funds for the plant's cost are generally loaned by BIA or the Economic Development Administration, and often there are generous donations from nearby communities, too. The company furnishes the equipment and management, and lease payments to the tribe usually are sufficient to retire the government agency's loan.

The firm agrees to give hiring preference to tribe members.

"Thus, everybody involved benefits," Secretary of the Interior Rogers C.B. Morton points out. "Business firms tap a new labor pool, with workers capable of the most exacting operations. The Indians find steady jobs and new prosperity. The public helps a minority group to help itself, and is repaid by reduced welfare rolls and higher standards of living for Indian families." **END**

## what readers want to know

**Is the federal government having any success in getting businesses to help employees meet their obligations with the National Guard and military reserve forces?**

Outstanding success. The Defense Department reports that more than 210,000 American employers have signed statements in which they agree to give employees the necessary time to fulfill their drill and active duty requirements. This means that more than half the labor force is now covered by such agreements.

**I've heard the United Auto Workers may reaffiliate with the AFL-CIO. Is this likely to happen soon, and what's behind it?**

Talk about the big auto union going back into the AFL-CIO has floated around Washington for a couple of years, but recent developments seem to increase chances that such a return will become reality.

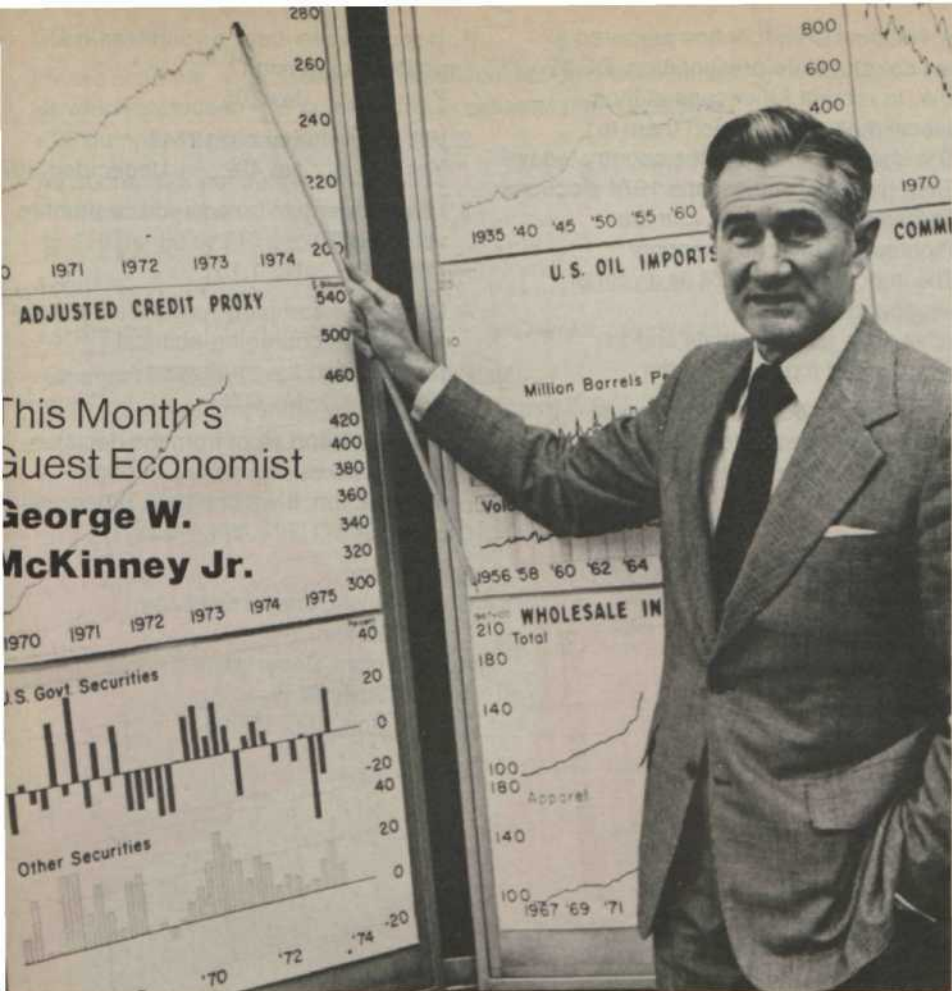
Six years after the late Walter Reuther led the UAW out of the parent organization after a squabble with AFL-CIO President George Meany, it's rumored Mr. Meany has been making overtures to the auto union. Obviously, he would like the 1.5 million-member union back in the fold for its numbers and dollars.

Meanwhile, the UAW may be moving closer philosophically to the AFL-CIO. Usually free trade-oriented, UAW President Leonard Woodcock recently called for a quota on imported autos. This puts him more in line with the protectionist thinking of Mr. Meany on trade legislation.

**What's that "Tuesday-Thursday Club" of Congress they talk about?**

There's no such club, really. The term is applied collectively—and unofficially—to those Congressmen whose districts are within an hour or so of Washington and who tend to concern themselves with national legislation from Tuesday through Thursday only, spending Friday and Monday taking care of constituents' needs back home. Congress usually acts on substantive legislation during midweek. So these members figure: Why not?





Mr. McKinney is a senior vice president of Irving Trust Co., New York City, in charge of the bank's economic research and planning division. He joined the Irving, after service at the Federal Reserve Bank of Richmond, in 1960, and is a past president of the National Association of Business Economists.

## Oil and Pumped-Up Income

There is a real possibility that our nation will stumble into major errors in our fiscal and monetary policies because we misjudge the impact of high oil prices.

Some opinion leaders—including London's prestigious *The Economist*, several theoreticians and academicians, and a disturbing number of individuals in important policymaking or staff positions in Washington—have proposed substantial tax cuts or other expansionary measures to offset the economic pressures caused by oil price boosts. While there is an important element of truth in the theoretical framework on which they hang their analysis, its unquestioned and uninhibited acceptance would be an economic disaster for the United States.

Their thesis is that the raising of the price of oil by producing nations will affect the consuming countries much as an excise tax on consumption of oil products would. The \$50 billion to \$60 billion added annually to the cost of oil, they say, will be drained from the spending stream of the consuming nations, many of which already face an economic slowdown. It will be necessary, the thesis goes, to pump back into those economies an equivalent \$50 billion to \$60 billion, to restimulate them and prevent a major world-wide depression. The U.S. share is put at \$10 billion to \$15 billion.

There is no doubt that the added cost of oil puts a heavy burden on the oil-consuming world and is extremely disruptive to its economies.

The impact on the less developed nations is of almost incomprehensible magnitude.

Yet the problem is not as simple or as large as first analysis would indicate, and the solution recommended would be a "nonsolution" even if the problem is as advertised. This is particularly true in the case of the United States, where such a stimulus would intensify already excessive inflationary pressures without really contributing to the problem's solution.

First, the stimulus thesis is in error on a theoretical basis. It is a straightforward Keynesian analysis. On its own terms, it requires the assumption that the oil-producing nations' "propensity to consume" and "propensity to invest" in the oil-consuming nations is zero. That is, the argument stands as presented only if the producing nations neither buy from nor invest in the consuming nations.

There is, of course, something to this point of view where consumption is concerned. The wealthier nations in the Organization of Petroleum Exporting Countries will find it hard to employ their enormously increased incomes. Per capita income in Kuwait, Abu Dhabi and Saudi Arabia now is equal to or greater than in the United States. It will take some time for them to readily increase their consumption to soak up the larger flow of funds. But their propensity to consume is far from meager, as can be seen from their increased purchases of everything from desalination facilities and fertilizer plants to aircraft and education.

And in many OPEC nations, the major part of the increased flow of money is being spent as fast as it shows up.

Venezuela, Iran, Iraq and others, not as affluent as some, are still eager to increase their nations' living levels as soon as possible.

Similarly, the OPEC nations' propensity to invest in the oil-consuming countries is far from zero. The Arab nations have tended to favor short-term investments and, in fact, to lean toward the Eurodollar market as a favorite investment outlet. Yet many of the important OPEC decision-makers, particularly in the wealthier nations, are U.S.-educated and their



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**Are business and professional executives reluctant to become involved?**

**Are they withdrawing from political activity this year?**

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## This Month's Guest Economist *continued*

investment rationale is not necessarily all that different from that of other investment managers.

Eurodollar rates have provided a relatively good return in recent years, but that margin is going to shift as additional funds are channeled through Eurodollar markets. As the return on Eurodollars becomes relatively less favorable, alternative investments will look better to even the wealthier OPEC nations.

Another necessary set of assumptions for the stimulus thesis to hold is that, within the oil-importing countries themselves, the propensity to consume and to invest is not changed because of the changed oil climate.

Clearly, this has not been the case. There have been major shifts in importing nations' consumption and investment patterns. In the U.S., the negative changes have been many and obvious, affecting automobiles, airlines, petrochemicals, travel and recreation facilities.

But there also have been important positive changes. Many areas of consumption have been stimulated, not retarded, by the energy crisis. Many a new winter suit was bought last fall because oil conservation lowered office temperatures and reversed a trend toward wearing summer suits year-round.

Similarly, a major manufacturer of day-night home thermostats has increased its production fivefold and still can't meet the demand.

Business investment, too, has been sharply stimulated in many areas by the energy shortage. In fact, the new climate seems to have touched off a plant and equipment spending boom which may well last for years.

In sum, the argument for inflating national income to match the added cost of oil depends on the assumption that the money for the oil disappears in thin air. In fact, a major part of that added cost will be rechanneled into the oil-consuming economies.

The really important reason why we should not follow the advice to expand our economies to compensate for the increase of the price of oil, though, is that the argument naively assumes the oil-producing nations will sit quietly while we inflate our economies—and our price

levels—to bring them in balance with the higher oil prices.

Yet they increased the price of their oil to gain a relative price advantage over the products we sell to them. If we try to inflate our price levels to make up for the added oil costs, the only variable left is the OPEC price of oil. The rate of our inflation will be determined by how fast they increase the price of oil in a futile attempt to keep ahead of us as we inflate our prices to catch up with the price of oil which they are increasing to keep ahead of our price inflation.

We cannot possibly pay for unlimited quantities of oil without the active cooperation of the Arabs. Inflating our economies will not improve our chances of getting that cooperation.

Essentially, the oil-importing nations find themselves in a situation not unlike that which caused the hyper-inflation in Germany during the years after the first World War. The Germans were trying to pay a reparations debt. The oil-consuming nations are now trying to pay for higher priced oil. The Germans found they had a "transfer problem" in that they could make their reparations payments only to the extent that other nations would buy goods and services from them in an amount equal to the payments being made.

In other words, they had to earn the dollars before they could give them back to us in payment of their reparations debt. The oil-consuming nations also have a transfer problem; they must earn funds to pay for oil by selling things to, or borrowing from, the Arab nations.

When the Allies would not buy enough goods and services from the Germans to permit effective transfer of the reparations payments, the Germans ran massive budget deficits and drastically inflated their economy in a vain attempt to force the transfer.

It's futile to inflate our economies in an attempt to price our goods and services at levels that will persuade the Arabs to exchange for them all the oil we want.

If we attempt it, we will surely destroy our economies as the Germans did theirs in the 1920s. And we won't have any more oil because we did it.



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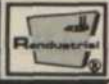
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# How to Keep Your Mind on Your Work

You can drive away distraction, making what you do more pleasant and rewarding

When asked whether he really enjoyed his work, an internationally-famous Atlanta surgeon, Dr. John R. Lewis Jr., replied: "Like everyone else, I dislike some of the things I have to do. But when I operate, I lose all sense of time. I guess that's one way of gauging how much my work engrosses me."

It is, in fact, a way of measuring many things: Not only interest and enjoyment, but also skill and performance. The man who shuts out other thoughts while doing a particular task is sure to do it better. And by the same token, satisfaction with a job that is going well tends to reinforce his concentration, because everyone likes to contemplate a success.

A man who is easily distracted from his main tasks should consider the possibility that he is running away from dissatisfaction with his own efforts.

Most people would agree on the merits of concentration. How to achieve it is the question. There's no single answer, because each person responds differently to different approaches. But a few guidelines can point you toward a working atmosphere that makes life more pleasant and rewarding.

**1. Stick to predictable sounds.** Unless you are most unusual, you work best when no unpredictable sounds or happenings distract you.

Absolute silence is not a necessity. Some prefer it, but many do at least as well when exposed to steady or recurrent background sound—whether it's soft music or the rumble of machinery.

But unexpected sounds not only hamper thoughts and actions at the time they occur, they also impair performance for some time afterward.

David C. Glass of the Russell Sage Foundation, together with other researchers, made a study which shows that such noises have a prolonged effect on the human system. They lower both the capacity for good performance and the ability to withstand frustration.

Test subjects were given a series of mathematical puzzles, some solvable and some not (though the sub-



jects were unaware of that). The object was to test not only accuracy, but also how persistently each person would keep working despite the frustration of the unsolvable puzzles.

One group exposed to a series of predictable noises did just about as well as those working in dead silence. But those who had to work under the pressure of unpredictable sounds showed a sharp drop in ability and patience.

A major oil company executive says these test results confirm "what I have always felt about the way a mind works—or the way mine does, at any rate."

He explains: "It always seems to me that my head must be like a telephone switchboard that has only so many plugs and wires.

"But it is different in one respect: The fewer the lines



## How to Keep Your Mind on Your Work *continued*



in use, the louder and clearer each communication is.

"I can plug in on several currents of thoughts at once, if I have to. For instance, a little meeting can be going on in my office, and I can take an occasional phone call, O.K. a telex message and sign a couple of urgent letters while half-hearing the conversation that people around my desk are going on with.

"However, their words are a little less meaningful; I get the main thoughts, but not the nuances that indicate how strongly each man feels on certain points. And I am sure that my ability to check the letters I sign is less precise.

"Also, just as this study shows, the distraction is much less if I get an expected and routine phone call than if an unexpected problem is thrown at me."

**2. Keep to yourself sometimes.** Most of us would do well to set up a work schedule with some "do not disturb" hours in it.

This presents practical and personality problems in many companies. In some, it is considered bad form to keep an office door closed for long. The old and friendly idea that "my door is always open" has become so ingrained that a closed door indicates an aloof or uncooperative attitude.

But a more understanding view is gradually growing in many companies. A surprising number of managers now even admit to staying home for entire days, or at least going home several hours early, to work without fear of interruption.

This is a key point. Many men believe the mere possibility that they will be interrupted reduces their ability to concentrate—even if no interruption occurs.

One executive says he always tries to take an overnight train, instead of a flight that could be as short as two hours. Nowhere else does he achieve the peak mental keenness that he reaches after he closes the

door of his compartment, knowing he is totally out of contact with anyone who might intrude.

"Train rattles, whistles, braking at stations, people walking by in the corridor—these are just a blur of sound that doesn't really come into my space," he says. "Since I don't have to do anything about them, I don't put the information through my mental computer."

**3. Clean up clutter.** Visual as well as auditory distractions have to be sifted out.

Most jobs are done best in a work area that is free of clutter—even by those who pride themselves on being oblivious to their surroundings. Men who perform remarkably well amid a welter of unrelated papers should find their output even better if their desks are clear.

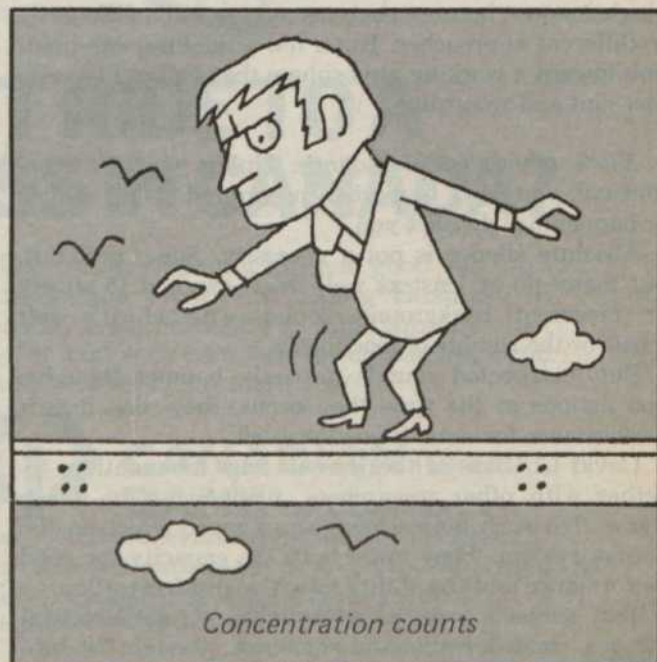
See if any of these examples apply to you or someone you know:

A professor who has always made a merit of his jumbled office and the heaps of books and papers all over his desk moved temporarily into a colleague's very neat office. Ever since then, whenever he has had a lecture to prepare or other important thinking to do, he has tried to borrow someone else's office, always making up an irrelevant excuse for leaving his own.

A corporate financial writer who is often chided for the mountain of papers on his desk doesn't seem to realize that the best things he has turned out were done in a different atmosphere. One was written when he was in temporary quarters elsewhere. Another was prepared after a rare burst of housecleaning forced on him by the redecoration of his office.

A corporate chief counsel works in offices that are cluttered with stacks of file folders and documents. He is successful, but consciously irritated by these surroundings. He once told a close friend: "I would like to be a Trappist monk and live in a bare cell."

But he believes the variety of complex cases he





handles makes clutter inevitable. He overlooks one thing: Some other men in similar jobs manage to keep the mounds of documents away from their immediate work areas—without taking monastic vows.

**4. Don't stir without ingredients.** How a piece of work is approached can determine how it will end up, just as the way a golfer addresses the ball so often foretells the fate of the shot.

One of the chief requisites of good concentration is to be well-prepared before starting to work.

Sitting down to a job that will then be interspersed with questions to colleagues, visits to the files, and so forth is a sure formula for distraction. The usual excuse for working this way is that "it's best to get started and then see what questions arise as we go along." That is almost never so.

It is hard mental work to think through what the whole task will involve, to foresee the order and nature of questions that will come up. But it is less work in the end, and the quality of the whole job will be upgraded.

Next, as you start the work, get yourself really interested in it.

Think of the task as one that involves both opportunities and risks—as though you made your living on the narrow steel girders of a new skyscraper. If you were setting out to cross a 30-foot section just a few inches wide and 60 stories high, you wouldn't let your concentration waver—not more than once, in any case.

But that, you may say, is a phony trick—to pretend that planning a new sales program or writing a report on product quality control involves great risks.

It is a device, true, but far from phony. Are you sure there are no risks in your job? How often have you sat in a meeting and heard the adverse results of someone else's past efforts criticized in a way that could shatter his career?

However, fear should be the lesser motivation. Try spotting the opportunities in each task. This should be easy, with a little imagination.

A brief talk in a meeting, or a routine cost-cutting effort, may get tremendous attention if it happens to produce its impact at just the right moment.

Of course not every job, even superbly done, will be noticed. But a succession of above-average efforts will.

**5. Relax.** Finally, it is what we are inside that determines how well we can focus our thoughts. Not every good idea results from consciously zeroing in on one problem. Some creative thoughts emerge from passive reflection—the kind of inspiration that strikes while shaving or doing some other physical chore. But the one thing common to all forms of successful thinking is that they usually emerge from a peaceful mind.

Stress, and the other factors that fatigue and distract, always strike us as evils that the outside world imposes. But psychologists say "most stress is personal rather than situational."

In other words, a man who thinks his nervous reactions are due to the pressures of his job nearly



*Plan time for solitude*

always finds that another job, even in an entirely different line, somehow produces the same stresses. We carry our own stress-making machines with us.

The best cure is sleep. Adding an extra 30 or 60 minutes to your normal slumber time is almost certain to make a healthy difference in how your mind operates.

Another age-old aid is walking. Not strolling leisurely, but walking fast. This improves blood circulation and sharpens the mind. It also helps produce the fatigue that promotes sound sleep. So walking leads to better thinking by several routes.

And there are "mechanical" approaches for breaking the tension habit. The mind—via the nerves—keeps sending messages that cause certain muscle groups to tense for action. This becomes so habitual that muscles are tensed when no action is needed—even during sleep. By consciously untensing these muscles, the system can gradually reverse itself and bring relaxation back to the mind.

There are specialists, like Dr. Edmund Jacobson, author of "You Must Relax," who make a profession of teaching the art of relaxation.

But even without outside help, you can heighten your ability to concentrate.

Any one of the five simple approaches outlined above will improve your ability to keep your mind on what you're doing. All of them, taken together, may send your performance and satisfaction soaring.

—CHARLES BIGELOW

REPRINTS of "How to Keep Your Mind on Your Work" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.



## the climate abroad: Iran

How can Iran best be described today?

It's as large and diverse as California, Nevada, Arizona and New Mexico combined. It ranges from below sea level along the shores of the Caspian Sea to the peak of 18,600-foot Mt. Damavand, 50 miles northeast of Tehran. It has barren salt deserts, as well as lush grasslands, forests and fertile mountain valleys. It ranges in temperature from 140 degrees in summer in the south to minus 40 in winter along the Soviet border.

Its 32 million people are nearly equally divided between rural and urban areas, with 25 per cent of them in cities of more than 100,000 population. One in 10 Iranians lives in Tehran, the capital.

Iran, second only to Saudi Arabia as an oil exporter, has huge quantities of oil and natural gas, much of it untapped. It also has largely undeveloped deposits of copper, iron, natural asphalt, marble and limestone. Underground and surface water supplies are being tapped to irrigate vast stretches of arid land.

Shah Mohammed Reza Pahlavi, Iran's monarch, has decreed that within this generation his country shall attain for every citizen a living standard at least equal to that of Western Europe. Iran still has a long way to go—especially in the smaller towns and rural areas. But GNP rose 30 per cent last year, and will climb that much or more again in 1974. By 1978, it is expected to approach \$1,800 per person.

Thanks to a 300 per cent rise in its crude oil revenues starting this year, Iran can buy what it needs, almost without concern for price.

It is prepared, for example, to buy atomic power stations—to save crude oil for producing more valuable petrochemicals. The Shah is determined to protect the free flow of commerce—and oil—through the narrow Straits of Hormuz, at the

*Prepared in cooperation with the Iran-American Chamber of Commerce.*

PHOTO: PAOLO KOCH—RAPHO GUILLUMETTE



*Demand for an abundant Iranian product, oil, soars abroad while at home there is rising demand for agricultural products. This shepherd tends his flock as unused gas is flared in southern Iran's Ahwaz oil fields.*

mouth of the Persian Gulf. Thus, he is building his nation's armed strength rapidly—with massive purchases of hardware and training, mostly from the United States. Iran also is buying large quantities of raw materials for its expanding industries. It is constructing new roads, rail links, harbors, airports, dams, hydroelectric generators and power transmission lines.

Iran is exporting capital—via the World Bank, the International Monetary Fund and a new, nonpolitical aid fund launched by the Shah to help developing nations which have been most hurt by higher oil prices. In 1974 alone, \$1 billion is being spent in these ways.

In addition, Iran is investing heavily in the Western world—buying into industries which provide materials it must import. It also is launching—in Africa and Asia—joint ventures to raise meat and grain it needs.

Despite its newfound ability to pay, Iran still encourages foreign investment—with immediate emphasis on agribusiness, building materials industries and high-technology fields. The Shah and his government leaders believe the surest way to get industrial and agricultural know-how from abroad is to let foreign investors, through joint ventures, share in the returns from its applications in Iran.

American investors should find Iran appealing, according to John Formel, who is president of the Iran-American Chamber of Commerce. Iranians in general—as well as their leaders—admire Americans and American abilities, he says.

To date, U.S. firms have invested some \$300 million in non-oil, non-defense industries in Iran, primarily in joint ventures where the foreign participants hold equity ranging from 35 per cent on up. Most have in-



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## The Climate Abroad: Iran *continued*

creased, or now are expanding, both their investment and plant capacity. B.F. Goodrich, for example, soon will have in Iran the largest production of tires between Europe and the Far East.

Rewards for such investments generally are ample, despite rising costs of labor, raw materials, and industrial plant and agricultural facilities.

Americans have headed the list of foreign investors in Iran, mostly in defense or communications-related enterprises, but Mr. Formel observes that the Japanese, Germans, French and British now are coming on strong—to assure themselves of future supplies of Iranian petroleum.

Because the Shah wants to minimize the effects of "imported inflation," Iran encourages barter deals, exchanging its crude oil and natural gas for industrial plant and raw material imports. Since U.S. firms are not as well-equipped for making barter deals as some of their competitors in other countries are, commitments for foreign participation in a number of major industrial and agricultural projects in Iran have gone elsewhere.

Mr. Formel recommends investment in agribusiness and building materials production.

With a huge jump in demand for agricultural products expected, agriculture is receiving a massive injection of government money. Agricultural feasibility studies currently are subsidized 80 per cent or more; 50 per cent of the cost of installation of irrigation systems and land-leveling are government-underwritten; farm equipment, even seed and fertilizer, can be imported duty-free.

This year many other new benefits are offered.

Brick, tile, gypsum board, pipe, window glass, strawboard or other building materials factories in Iran are best sited in remote corners of the country—away from any major city. Not only is land inexpensive there; workers are more readily available, and the government will buy all materials that investors cannot readily sell on the open market, for use in government-funded housing and development projects.

Also needed are food processing plants. Iranian buyers can pay cash

for them and are eager to import the technical expertise to maintain them.

Because fruit-and-vegetable-raising areas are of modest size and scattered, and since Iran's summers make transporting perishables difficult, small plants are most suitable.

New roads, railroads and airports give Iranian products easier access to markets throughout the Middle East. New hotels and other tourist facilities are mushrooming in every city, as well as in remote locations near the tourist-attracting ruins of earlier Persian civilizations. Foreign investment in this sector also is welcomed.

What, then, are the gray spots in this generally rosy picture?

Though foreign investment (particularly in high technology) continues to be encouraged, the influx of foreign workers is tightly limited.

In almost every joint venture agreement, foreign managers and technicians are required to train counterparts as eventual replacements. Except for one or two persons at the very top to represent the foreign capital, foreign workers seldom are granted visas for more than five years.

The resulting shortage of qualified workers—from capable bilingual secretaries to adequate pipefitters, mechanics and electricians—and of managers is Iran's No. 1 economic problem.

Shortages of qualified teachers complicate the task of pulling the nation up by its bootstraps. Vocational schools cannot turn out needed workers fast enough to keep abreast of industrial expansion. However, through recently instituted free education, a "teacher-satellite" program that will bring quality instruction to remote areas, and heavy subsidies of vocational, trade and university training at home and abroad, Iran hopes to revolutionize its educational system.

The recent establishment of a full, free medical care program will further intensify the already severe shortage of doctors and other medical specialists in Iran—aggravated by overconcentration in Tehran of those available. Modern hospitals are being erected and equipped—paid for by the government's higher oil in-

come—but doctors and other personnel to staff them are unavailable. Long waiting lines prevail at every hospital in Iran.

Inflation—related to the great increase in GNP with little accompanying growth in productivity—is a threat to every working family. There have been strong government efforts to fight it (price controls with severe penalties for profiteers) but they have not had too much initial success.

Subsidies—paid from new oil revenues—help keep bread, vegetables, fruit, sugar, meat and fuel prices within reach. But it will take significant increases in average income to meet backlogged demand for new housing, transportation and other comforts.

Iran wants to run before it can walk—and is finding it impossible. Among the other problems that it faces is cultural resistance to change—the problem of leaping directly from the Middle Ages into the late 20th Century.

Still, Iran can look to the future with optimism. Changes in the cities have come so fast they are astonishing. The task of spreading progress to the provinces is being tackled this year on a grand scale for the first time.

This year's budget ups direct spending on economic development 44 per cent, and on social development 25.5 per cent.

Recently, Iran's borders were opened to free exchange of foreign currencies. The Iranian rial is pegged to the dollar, which held its own on both official and free markets during early weeks of the free exchange, even though the rial climbed in value against most other currencies. Money is flowing to Iran from all corners of the world, and there is talk of the rial as a new currency for international transactions. Under laws encouraging and protecting foreign investments, Iran long has permitted repatriation of both capital and earnings.

Markets exist in Iran for anything one can produce. Price controls, taxes, and problems of a still-Oriental economy should not make business unmanageable for Americans investing in this financially solvent, politically stable country.



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# business: a look ahead

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BY GROVER HEIMAN  
Associate Editor

## How Far Should Uncle Sam Go on Fishing?

As world-wide demand for protein continues to grow, the oceans become more important. Hence, calls for changing the traditional ways of regulating the seas' harvest, which experts say won't ever be much greater than the present-day 70 million or so tons a year.

Bills in both houses of Congress would extend, on an interim basis, the federal government's jurisdiction over fishing from the present 12 miles offshore to 200 miles. Chile adopted a 200-mile limit in 1947, starting an international trend.

Strong support for the measures comes from the Atlantic States Marine Fisheries Commission, which is composed of representatives from the 15 Atlantic Coast states. Florida is the only one of the 15 that voted

against the 200-mile proposal. The Nixon Administration has given the idea a nix-on-it reception, too.

The subject of fisheries is among many that will come up at the Third UN Conference on the Law of the Sea, scheduled to start in Caracas, Venezuela, June 20.

There is major disagreement between nations whose coasts are rich in fish, and distant-water fishing countries, such as Japan.

The Administration's position on fisheries is essentially that coastal countries should be given management authority over coastal species and ocean fish such as salmon which breed in rivers, but that regulation of the harvesting of highly migratory ocean species, such as tuna, should be left to international bodies.

## FTC's Investigation of "Idea Promotion"

A type of enterprise the Federal Trade Commission calls "idea promotion" is under investigation in the first demonstration of an FTC "openness policy."

FTC, announcing the policy in mid-March, said news releases would be issued at the outset of investigations covering entire industries or involving practices that pose "substantial risks to public safety or health."

Early in April, FTC kicked off an "industry-wide" investigation to determine if "idea promotion, invention promotion or patent

development and marketing firms"—those that undertake to show you how to profit from an invention or capitalize on an idea—are violating the FTC Act by making deceptive or otherwise unfair representations.

FTC says these organizations in the aggregate have some \$100 million in annual income.

The "openness" extends only to the start and finish of such investigations. Hearings will not be public. Disclosure of FTC's conclusions will be made when a probe ends.

## What's in Store for Nuclear Power Industry Wastes

Hot wastes are almost certain to become a subject of heated debate in months ahead.

Back in 1972 the Atomic Energy Commission announced plans to build a surface storage facility for solidified, highly radioactive waste from the nuclear power industry.

Now it has finished studying three options—a water-cooled basin, an air-cooled storage facility and sealed casks whose cases dissipate heat. It will issue a draft of the required environmental impact state-

ment soon, and then hold public hearings and accept written comments for 45 days.

AEC should be in a position later this year to decide on the type and site of storage.

Currently, 44 commercial nuclear power plants are licensed to operate in the U.S., 54 are being built and 109 more are on order. AEC requires plants to ship the wastes to it for permanent custody no later than 10 years after they are generated. The first such shipments will come in 1983.



## More Loans May Be Sprouting in the Countryside

More credit should become available to borrowers in rural areas because of a new interpretation of the Rural Development Act of 1972.

This is the Act that authorized the Farmers Home Administration to guarantee private lenders reimbursement up to 90 per cent of any loss on loans granted for a variety of rural development purposes.

The Comptroller of the Currency recently ruled banks only have to count the unguaranteed portion of such loans against their regulated lending limits, which are based on the sizes of their deposits. Prior to this, every dollar they loaned reduced their supply of lendable funds by a dollar.

There are \$200 million in federal guarantees available for job-producing projects that will improve the rural economy. Under the new ruling, if banks lend the full \$200 million their total loan limit will be reduced by only \$20 million.

The ruling applies to national and state banks which are members of the Federal Reserve System.

Along with the ruling came adoption of a new title abbreviation for the Farmers Home Administration—FmHA. The change from FHA, explains an official, is to preclude identification with the Federal Housing Administration "so we don't have to dodge the brickbats thrown their way."

## Commodity Markets Could Get a Boss With a Big Bite

Federal policing of commodity futures markets may become more inclusive—and intrusive—with trading in nonagricultural commodities for the first time coming under Uncle Sam's scrutiny.

A House-passed bill would create a commission to replace the existing Commodity Exchange Commission (the Secretaries of Agriculture and Commerce, and the Attorney General) and the Commodity Exchange Authority, which is lodged in the Agriculture Department and has a staff of 160.

The Authority oversees activities of 10 of the 16 commodity markets for the Commission, but in reality the markets are self-policing. The Authority has little authority.

Under the House bill, a new Commodity Futures Trading Commission would have semi-independent status within the Agriculture Department.

It would have investigatory powers and would also oversee many commodities not now regulated, including metals, coffee, sugar and cocoa.

Senate measures would take such an agency out of the Department—a step the Administration opposes.

Hill critics argue that creation of the agency would not only mean bureaucratic domination of commodity markets, but would lead to formation of another Washington empire.

## A Helping Hand for Sales Across the Seas

Increased help could be on the way for small and medium-sized U.S. exporters.

That assist could come with passage by Congress of a Senate bill entitled the Omnibus Export Expansion Act of 1974, which would allow the Commerce Department to establish a Federal Export Agency.

The Agency, which would take over export encouragement functions of some other Commerce Department units, could spend \$33.6 million in its first year, and \$48.5 million annually after that, to help businesses do a better job of exporting. Firms with less

than \$30 million annually in sales would be eligible for aid if they belong to a qualified U.S. export association.

The funds could be allocated as grants to exporters—exporters of services as well as of goods—or the Agency could enter into cost-sharing contracts with them. Also, state and local governments involved in programs to encourage new exporters would be in line for grants. In addition, Agency funds could be used to subsidize export training programs and to establish five export assistance centers.

## Doing Something About the Weather

Don't expect official rain dances anytime soon in Washington, but we may have a national rainmaker someday.

Creating a spot for just such a miracle worker is the basic idea behind bills introduced by Sen. Henry Bellmon (R.-Okla.), whose state has some bitter memories of Dust Bowl days and other periods of lingering drought.

Sen. Bellmon says: "Today, because of increased sophistication . . . in meteorology, we don't have to sit idly by while the natural forces of drought wreak havoc."

He wants to establish a nine-member National Weather Modification Commission,

under the Environmental Protection Agency, to study the need for rainmaking and make recommendations within two years.

For the interim he proposes establishing an Office of National Weather Modification Policy in EPA, which would coordinate existing rainmaking efforts of federal, state and other agencies. The head rainmaker would be an assistant EPA administrator.

For immediate assistance to drought-stricken areas, Sen. Bellmon proposes authorizing EPA to make financial grants to state and other approved agencies to initiate weather modification measures, and assist in ongoing activities.



## editorial

# Let's Veto It

Some people, especially labor union leaders, are saying we should elect a "veto-proof" Congress that could pass anything it wanted, regardless of what is good for the country.

It's true that the White House has slowly taken many powers from Congress over the years since FDR became President.



But it's also true that, under our Constitution, none of the three branches of government is supposed to be all-powerful. Checks and balances among the three are essential.

An all-powerful Congress would be as bad as an all-powerful President.

In fact, a "veto-proof" Congress would be downright unconstitutional—in spirit, if not in law.

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production  
line was  
a mess.  
What the  
right side  
assembled  
the left side  
took apart.**

**When it's  
time to  
build a new  
plant,  
it's time to  
build a Star.**



A Star Building System can meet your large equipment needs. Star "engineered out" the columns so you get all the clear span you need. And a Star Building can handle your innovative production ideas. You get profit producing space that let's you design your production lines to suit yourself, not your building.

A Star Building can save you money. As much as 25% of the cost of about any other type of quality construction. And compared to brick or block, it can often be built in half the time.

You keep on saving with a Star Building. On things like heating, cooling, upkeep. That's because a Star building is tight, efficient and practically maintenance free.

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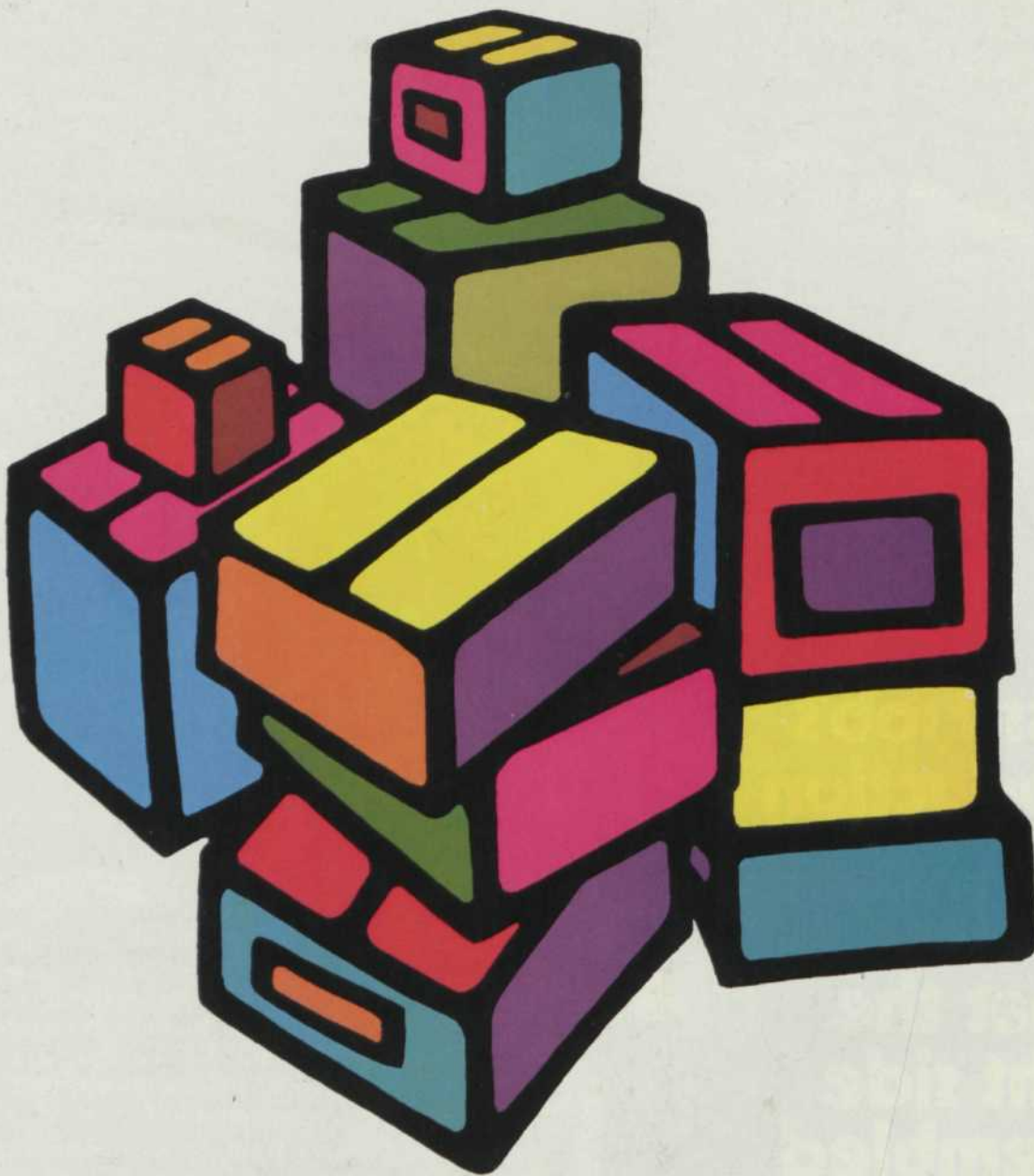


Star Manufacturing Company  
Dept. NB64  
Box 94910  
Oklahoma City, Oklahoma 73109  
Or call your local Star builder.  
He's listed in the yellow pages  
under "Buildings—Metal."

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*Our business is building yours.*





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New NCR computer-aided distribution systems help wholesalers operate more profitably. Other NCR systems produce similar results in many different industries. NCR knows from years of experience what you need in electronic business systems to earn more profits. Of course, a good business system is more than a computer. NCR provides you with data terminals, peripherals and computers to help you run your business better. You get the help of NCR representatives who are trained in your industry and devote their efforts exclusively to your business. And over 18,000 field engineers provide worldwide service coverage for your NCR system.

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